

# CITY OF BOSTON

THOMAS M. MENINO

*Mayor*

Operating Budget Fiscal Year 2007

Capital Plan Fiscal Years 2007 - 11

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**ADOPTED  
BUDGET**

**Volume I**





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City of Boston

Thomas M. Menino, Mayor

Operating Budget Fiscal Year 2007

Capital Plan Fiscal Years 2007-2011

## Volume I - Overview of the Budget





# **Thomas M. Menino, Mayor**

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**Lisa C. Signori, Chief Financial Officer**

**Office of Budget Management**

**Karen A. Connor, Director**

**James Williamson, Deputy Director, Operating Budget**

**Roger McCarthy, Deputy Director, Capital Planning**

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Jean Capizzi  
Lynda Fraley  
Chris Giuliani  
Melissa Goff  
Gail Hackett  
John Hanlon  
Ellen Hatch  
Era Kaplan  
James Kennedy  
Conor McEachern  
Marianne Regan  
Anthony Reppucci  
Dennis Roache  
Ralph Rosati  
Noah Stockman  
Allison Taylor

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Gerard Rufo

## **Central Office Staff**

Jacquelyn Conley  
Deborah DeLeo  
Liliana Guzman  
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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Boston  
Massachusetts**

For the Fiscal Year Beginning

**July 1, 2005**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Boston for its annual budget for the fiscal year beginning July 1, 2005.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.





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CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

June 20, 2006

TO THE CITY COUNCIL

Dear Councilors:

I retransmit herewith my Fiscal Year 2007 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.14 billion is \$91.3 million, or 4.5% more than the Fiscal Year 2006 Budget.

This budget reflects our priority that additional resources must be allocated to hire more police officers. The FY07 budget includes funding to double the size of the classes that were funded in the budget originally submitted in April, bringing the total new recruits to be hired in FY07 to 140. This commitment requires an increase to the Police Department as well as increases to the Health Insurance and Medicare accounts.

FY07 continues to be a challenging year for the City of Boston. Property taxes and other revenues will continue to grow, while the City's net state aid, our second largest source of revenue, remains far below the amount that was received five years ago in FY02. Since the Governor's budget was submitted in January, we have monitored the State budget process closely. As that process comes to a close, I am confident that the City's allocation of aid from the Commonwealth will be higher than the assumptions used in the City's budget originally submitted in April. These limited additional resources will be substantially used to support the costs associated with hiring additional police recruits. Additional funding has also been included in the Parks and Public Works departments to fulfill our environmental compliance and maintenance responsibilities related to the opening of the park at Spectacle Island in Boston Harbor.

Nearly two thirds of the spending growth over FY06 is due to cost trends in health benefits and energy as well as the annualized impact of collective bargaining increases included in the current labor contracts. Trends in health insurance costs have caused this benefit to increase as a proportion of the operating budget from less than 8% in FY02 to 11% in FY07. Since FY02, health insurance costs have increased by almost 92% while all other City spending has increased by approximately 19%. This trend clearly is not sustainable and should concern us all. Because our total spending growth continues to exceed our rate of revenue growth, the budget before you also assumes a responsible allocation of reserves to fill the resulting gap between revenues and spending. We must be mindful that one-time resources are not a long-term solution. I remain committed to ensuring that the City's budget is sustainable in the coming years.

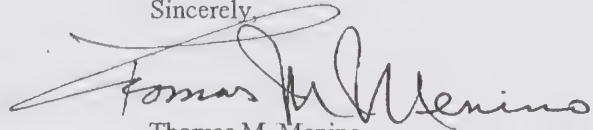




I would like to commend you on a well-run budget review process. Your review of the FY07 Recommended Budget was thorough and focused on the important issues facing the City of Boston. Despite the fiscal challenges we face, through our cooperative efforts, I am confident that this budget will effectively and efficiently allow us to continue to provide high quality services to Boston's residents, visitors and businesses.

The Recommended Budget for Fiscal Year 2007 is soundly balanced within the City's available resources. I respectfully request your favorable action on the Fiscal Year 2007 operating budget and the Five Year Capital Plan for FY07 to FY11.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino", with a large, stylized flourish extending from the end of the name.

Thomas M. Menino  
Mayor of Boston







CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 11, 2006

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Fiscal Year 2007 Recommended Budget for the City of Boston. The Recommended Operating Budget totaling \$2.14 billion is \$87.9 million, or 4.3% more than the Fiscal Year 2006 Budget.

Nearly two thirds of the spending growth is due to health benefits, energy costs and the annualized impact of collective bargaining increases included in the current labor contracts. The annual spending growth needed to meet the City's commitments continues to exceed our rate of revenue growth. The City's FY07 budget assumes a cautious allocation of reserves to support ongoing expenses. These additional resources are necessary to mitigate the effects of marginal growth in state aid and rising fixed costs.

While property tax and other local revenues continue to grow, the City's allocation of aid from the Commonwealth increases only marginally despite additional revenue resulting from uncapping Lottery Aid. For FY07 net state aid remains \$75.6 million less than it was five years ago in FY02. The City continues to face the challenge of our over-reliance on property taxes to fund services. Restricted by a state-imposed structure, the City must continue to build awareness of the negative consequences of this structure not only for the City of Boston but also for the entire Commonwealth.

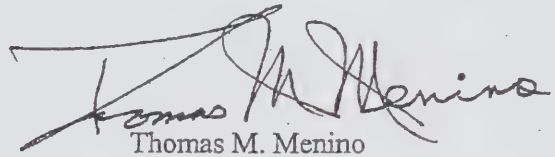
The budget before you provides resources aligned around several overarching goals, including the reduction of violent crime, closing the achievement gap, narrowing health disparities and increasing the housing supply. The City is moving forward with a bold agenda that will concentrate on delivering innovative and effective solutions to our most critical challenges while focusing on cross-departmental collaboration and shared accountability to deliver meaningful results and high quality services to Boston's residents, businesses and visitors.

Building a strong foundation for Boston's future means educating all of our children to compete for the jobs of tomorrow, supporting an economy that will continue to grow and provide those jobs, embracing and leveraging the changing face of our community, and providing the basic services that contribute to the quality of life in our neighborhoods. Accomplishing these goals in today's constrained fiscal environment is not easy, and it requires that we in city government work more efficiently with each other and with our partners in the public and private sectors to ensure our City's success.



I look forward to working with you during the budget review process and I respectfully request your favorable action on the FY07 Operating Budget and the Five Year Capital Plan for FY07 to FY11.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Menino". The signature is stylized with a large, sweeping initial "T" and "M".

Thomas M. Menino  
Mayor of Boston







## Executive Summary





# Executive Summary

## INTRODUCTION

The Fiscal Year 2007 (FY07) Budget totals \$2.14 billion. For the third consecutive year, the City anticipates an increase in recurring revenue mainly attributable to growth in the Property Tax. However, despite the growth in recurring revenue, it is anticipated that expenditure pressures will require the use of reserves to support ongoing expenses in FY07. Nearly two thirds of the spending growth is due to health benefits, energy and personnel costs, which have risen significantly due to collective bargaining increases occurring at different points during FY06 that now must be annualized as well as increases scheduled for FY07.

Despite the fiscal challenges that we face, this budget reflects the City's continued commitment to deliver high quality services to Boston's residents, businesses and visitors. It provides resources for vital programs in the areas of education and affordable housing as well as an increase in public safety staffing.

The Five Year Capital Plan FY07-11 totals \$1.32 billion and includes \$114.2 million in new FY07 authorizations. Boston's Five Year Capital Plan continues to be an investment program for the City's future and a plan that is designed to enhance its livability. The capital plan's theme, Cities are Neighborhoods (CAN), recognizes that the City draws its core strength from its neighborhoods. The results of the "Together We CAN" capital investment campaign are visible in every neighborhood.

## Change in Resources and Expenditures

The FY07 Budget reflects a revenue increase of \$80.0 million or 3.9 percent over FY06 revenues. The majority of the increase is due to continued growth in the City's largest revenue source, property tax, which reflects a 4.4 percent net increase for FY07. Net state aid, defined as state aid combined with the charter school tuition assessment and other assessments, is expected to

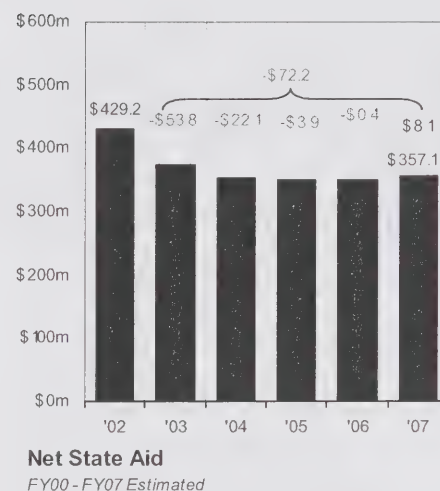


Figure 1

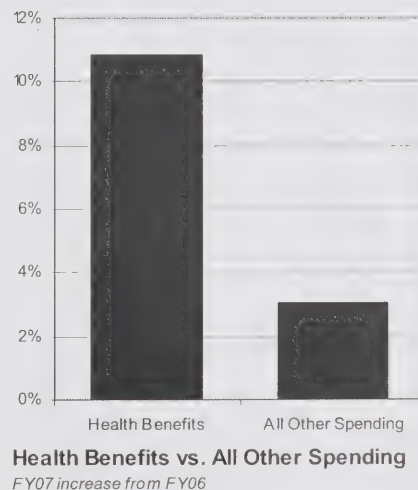


Figure 2

increase only marginally for FY07 despite increased revenue resulting from added Education Aid and removal of the cap on Lottery Aid. The slow growth in net state aid perpetuates the real loss incurred over the last five years (Figure 1). State aid is the second largest source of revenue for the City and therefore plays a critical role in determining available resources.

Other economically sensitive revenue streams, such as excise taxes and interest on investments,

which showed recovery in actual FY05 receipts and the FY06 Budget, are again projected to continue their steady growth in the FY07 Budget.

Available revenues provide the basis for planning the FY07 appropriations and fixed costs.

It is expected that an appropriation of \$8 million from Budgetary Fund Balance will be necessary in FY07 to fund ongoing expenses. Also referred to as "free cash," this item is most simply described as the expendable portion of Undesignated Fund Balance which must be state certified. While using reserves is a necessity during these challenging fiscal times, reserves are finite and are not a long term solution to our structural problem. As the City uses these funds, we must recognize that it will require years of significant revenue growth in tandem with reasonable expenditure growth before reserves are replenished.

On the expenditure side, the FY07 Budget reflects a 4.0 percent or \$66.0 million increase for appropriations and a 3.3 percent or \$14.0 million increase in fixed costs (pensions, debt service, state assessments and Suffolk County sheriff) for a total expenditure increase of \$80.0 million.

The growth in health benefits and energy costs along with contractual salary increases drive the overall increases shown in appropriations. The annual percentage increase in health benefit costs for FY07 is three times that of the increase in all other spending (Figure 2). The increase in total fixed costs is driven by the pension funding schedule and state assessments. A more detailed discussion of the City's revenues and expenditures can be found in the Summary Budget chapter of this volume.

The City has taken many steps over the last four fiscal years to adjust to fiscal change. Through controlled hiring and attrition the City continues to keep employee levels down overall. The City's workforce was down 1,176, or approximately 6.7%, full-time equivalents between January 2002 and January 2006. With personnel costs and health benefits representing over 70 percent of the City's operating budget appropriations, it is important to manage the level of the City's workforce.

## Framework for Fourth Term Results

In the fall of 2005, Mayor Menino called upon his Cabinet to join him in creating a new and powerful agenda for his fourth-term administration. While the City of Boston is committed to delivering high-quality services every day to its residents, businesses and visitors, government also has an obligation to tackle the hardest long-term challenges facing its constituents. Under the Mayor's leadership, the Cabinet converged on eight critical areas where a citywide approach to problem-solving and program development is required to make an impact.

Eight overarching goals outlined in the following tables encompass objectives addressing both short- and long-term concerns for the city, its people and its economy. The goals are presented in three groups:

- First, those that focus on fundamentals public safety, effective delivery of public services, and the long-term fiscal capacity of the city to generate the funds needed to provide essential services to its constituents;
- Second, those that address fairness, equity and upward mobility for every Bostonian; and
- Third, those that ensure that Boston will have a well-rounded economy, recognized internationally for its leading industries and its quality of life at every income level.

Participants from every department in city government are working together in inter-agency teams with advice from leading experts in the public and private sectors to craft a shared plan for the future that will position the City of Boston for success in generations to come. A brief, representative selection of the objectives under each overarching goal is included in the three tables.

Accomplishing these goals calls for accelerating the implementation and use of technology throughout city government. The City will strive to better capture and organize information from within departments in order to use that data to inform decision-making and resource allocation to improve service delivery and promote efficiencies.

Key technology improvements in FY07 will include customer service enhancements in on-line permitting, an expansion of the use of GPS technology to track and target snow plowing and street cleaning, and the launch of an upgrade to the City's overall performance management tracking system, Boston About Results.

These goals will guide citywide service delivery, resource allocation, new revenue generation and public/private partnership development. Achieving these goals requires that city agencies work with each other and with the community in new and unconventional ways, acknowledging shared responsibilities while driving clear accountability for delivering results throughout the workforce.

Additional information can be found in the Summary Budget and Boston About Results chapters in Volume I.

### **Boston's Economy**

The Massachusetts economy was weakened significantly during the last recession, losing the highest percentage of jobs of any state in the nation. The road back to recovery has been slow as the state has yet to see employment reach pre-recession levels even as Gross State Product has been increasing since 2004.

As the City usually generates nearly one-quarter of Massachusetts' annual economic output, the City has led the state both into and out of past recessions. With the United States now generating significant job growth and gains in gross domestic product, it is expected that the City will soon produce the economic growth that will once again stimulate the larger economies that surround it into a solid economic expansion.

The effect of this economic growth on the City's budget will be positive, but only on the margins as Boston's comparatively restrictive revenue structure leaves it primarily dependent on property tax growth, constrained under Proposition 2 ½, and state aid.

In FY07, the state has largely recovered from a structural budget deficit, but since it has yet to increase real aid to municipalities in proportion to what it reduced during the recent recession, and since most state aid formulas are not favorable to Boston to begin with, the City will not receive a

benefit commensurate with the economic growth it so strongly affects.

### **Long-Term Financial Outlook**

The City's history of balanced budgets, prudent fiscal policies, and conservatively structured debt with manageable future borrowing plans continues to serve the City well. In February 2005, Moody's Investors Service upgraded Boston's bond rating from Aa2 to Aa1, the highest rating ever achieved in the City's history. At the same time, Fitch Ratings upgraded the City to AA and Standard and Poor's affirmed their AA rating. These high ratings were all affirmed in January, 2006. The City's strong proactive management has clearly been recognized by the credit markets. A bond rating is a statement of credit quality and is analyzed when determining the interest rate that should be paid for a municipality's bonds. A higher bond rating translates into lower interest rates and real dollar savings for the City.

The high priority City management places on carefully implementing sound fiscal policies and continuing to exercise strong fiscal discipline ensures the City's ability to preserve budgetary balance and maintain essential services.



## **OVERARCHING GOALS AND SELECTED FY07 OBJECTIVES**

### **Fundamentals**

#### **Reduce Violent Crime**

Deploy a comprehensive anti-crime strategy by organizing internal and external partners (the Strategic Crime Council) around creative and effective approaches to address crime, including innovative uses of technology to access and disseminate real-time data on criminal activity

Take guns off the street by bringing together resources from the Boston Police Department and the federal Bureau of Alcohol, Tobacco and Firearms, and Explosives (ATF) to more effectively disrupt the illegal supply of guns

Launch a campaign to address violence as a public health issue incorporating emergency room support, counseling and referral services, trauma training and expanded violence prevention curricula in Boston Public Schools

Keep teens engaged in productive activities during the summer by expanding the summer jobs program to reach more at-risk teenagers and support their employment to help them develop transferable job skills

#### **Improve Service at Same or Lower Cost**

Implement an enterprise-wide on-line permitting system to significantly improve coordination across City departments and provide better information and progress tracking for applicants

Upgrade the City's website to provide more functionality to constituents, including on-line tax bill payment and search capabilities based on user profiles

Institute a quality inspection team to focus on results by anonymously evaluating City service delivery and customer relations based on the successful private sector model of "mystery shoppers"

Further align the Public Works and Transportation Departments to create efficiency by consolidating administrative functions and expanding the efforts to reduce functional overlap

Use property management expertise to promote effective facilities management citywide with a commitment to improve asset utilization and provide safe, clean properties that support service delivery

Make City facilities more energy efficient by implementing the Integrated Energy Management Plan recommendations, beginning with City Hall and the Boston Public Library's central branch

#### **Grow Revenue**

Partner with tax-exempt institutions in joint strategies for future revenue generation by constructively discussing the interdependency of a successful nonprofit sector with a thriving public sector

Steer municipal revenue development through legislation, continue the momentum for additional local option revenue sources, and provide a level playing field for utilities by removing an outdated property tax exemption

Advance a campaign for home rule reform to build awareness of the imbalance in Boston's revenue sources resulting from state-imposed restrictions and their drag on the City's ability to boost the state's economy by competing nationally and globally

## **OVERARCHING GOALS AND SELECTED FY07 OBJECTIVES**

### **Fairness, Equity and Upward Mobility**

#### **Narrow Health Disparities**

Expand efforts to address racial and ethnic health disparities by engaging City departments and outside agencies in innovative and effective programs, including increasing outreach to elders of color; expand educational and training opportunities for residents of color interested in health care professions

Strengthen efforts to reduce asthma by increasing in-home counseling, improving access to high-quality clinical care, and partnering with the Boston Housing Authority to reduce home-based asthma triggers by improving pest management practices

Reduce the incidence of diabetes and other chronic diseases by expanding prevention and control activities, including coordinating with clinical sites, educating and supporting patients in improving their health, promoting exercise, and expanding access to affordable, healthy foods

#### **Close the Achievement Gap**

Offer an additional 350 full-day kindergarten seats to four-year-olds, while working toward the goal of guaranteeing seats for all four-year-olds by 2010

Expand successful early childhood and family support programs by increasing the capacity of ReadBoston and Countdown to Kindergarten

Increase support for English Language Learners (ELL) by training teachers and hiring additional English as a Second Language (ESL) teachers

Create seven new pilot schools by September 2009 to test innovative educational ideas to improve achievement

Increase capacity for quality out-of-school programming that supports academic performance, fitness, and arts and cultural enrichment, and that provides safe developmental experiences for Boston's children and youth

#### **Increase Diversity in City Services and Jobs**

Develop and enact a citywide policy regarding translation and interpretation services to ensure that every resident, regardless of language, has access to City services in a respectful and culturally welcoming environment

Continue to shape a skilled and culturally competent workforce through job training and staff development

Implement a Mayoral Workforce Diversity Committee to focus on enhanced recruitment, hiring, retention, and promotional practices to ensure diversity, based on a City workforce analysis and targeted recruitment

Create a Mayor's New Urban Mechanics Fellowship Program to recruit and hire four fellows from local graduate schools who will apply their training within departments

## **OVERARCHING GOALS AND SELECTED FY07 OBJECTIVES**

### **Growing Economy and Good Quality of Life at Every Income Level**

#### **Increase Housing Supply to Meet Workforce Demand**

Increase the City's housing supply at all levels of affordability by continuing to implement *Leading the Way II*, the successful blueprint created to meet and sustain housing needs now in its 2<sup>nd</sup> phase

Launch "Undiscovered Boston," a new marketing initiative that will educate employers on the middle-income housing supply appropriate for their workforces and arrange tours of Boston's more affordably-priced neighborhoods

Offer a new mortgage product, the "Reach-Up Mortgage," and provide down-payment assistance to help middle-income buyers reach up high enough in the market to afford housing that is currently available

Build new housing for middle-income homebuyers utilizing City land sold at discounts to contractor builders if they can deliver well-designed homes affordable for a middle-income Boston family

#### **Create New Jobs**

Launch a new national and international business marketing effort to support job growth by aggressively targeting, attracting, and retaining large companies in the City's leading industry clusters

Grow, assist, and retain small- and medium-sized businesses with a new inter-agency effort, "Taking Care of Business," that emphasizes customer service and helps businesses with financing, site location, and job training

Expand partnerships between high schools and businesses to create mentoring and employment links with the goals of improving student achievement, preparing all students for post-secondary education and employment, and ensuring a high-quality local workforce to meet employers' needs

Build on Boston's global reputation as a leader in tourism, arts, culture, and the creative economy to grow businesses and activities that attract visitors, businesses, residents, and top creative and innovative talent





# Summary Budget

## FY07-FY08

Summary Budget FY07-FY08

City Council Orders

Revenue Estimates and Analysis

Education

Boston About Results



# Summary Budget

## OVERVIEW

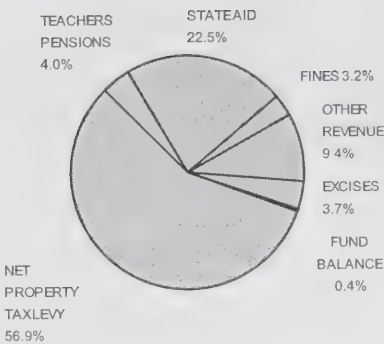
The FY07 Budget of \$2.129 billion in recurring revenue represents a \$95.9 million, or 4.7% increase from the FY06 Budget supported by recurring revenues. Included in the total FY07 Budget is \$5.3 million in non-recurring revenue and \$8.0 million in revenue from budgetary fund balance. In total, FY07 budgeted revenues amount to \$2.142 billion, an increase of \$80.0 million or 3.9% from FY06.

This Summary Budget section lays out the FY07 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends as well as a review of major externally funded services is also presented.

The increase in the FY07 Budget's recurring revenue is primarily the result of a \$51.4 million projected increase in the net property tax. The FY07 Budget estimate of state aid is \$482.2 million. This figure amounts to a 2.7% growth in aid for the City. Net state aid, state aid revenues minus state assessments, amounts to \$357.1 million, or an increase of 2.3%. Net state aid will experience a third year of less than inflationary growth after two years of large reductions.

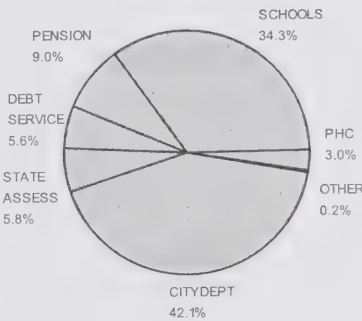
While the state is projecting reasonable revenue growth for the upcoming fiscal year and it has largely replenished its reserves, it is faced with several competing challenges and goals. Many different groups are calling on the state to restore the reductions in programs or aid made over the past few years, while others are calling for tax cuts.

To counteract the slow growth in its state aid, protect against further reductions and provide for future revenue growth and diversification of the revenue base, the City has again proposed options to increase revenue in several key areas. See the *Financial Management* chapter of this volume for more detail.



FY07 Estimated Revenue

Figure 1



FY07 Estimated Expenditures

Figure 2

# CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY04 Actual	FY05 Actual	FY06 Budget	FY07 Budget
<b>REVENUES</b>				
Property Tax Levy	1,094.15	1,150.59	1,207.62	1,260.81
Overlay Reserve	(42.08)	(44.25)	(40.84)	(42.64)
Excises	59.57	82.51	71.95	78.65
Fines	66.66	65.61	64.78	67.79
Interest on Investments	7.79	17.79	22.81	24.00
Payments In Lieu of Taxes	22.27	23.45	26.78	27.34
Urban Redevelopment Chapter 121A	54.81	54.91	53.53	54.80
Misc. Department Revenue	40.81	43.06	32.53	38.22
Licenses and Permits	34.82	33.82	27.18	31.62
Penalties & Interest	9.83	9.75	8.29	8.61
Available Funds	2.93	5.53	12.11	12.22
State Aid	459.84	461.13	469.64	482.21
Teachers Pension Reimbursement	61.39	76.52	76.52	85.16
Total Recurring Revenue	1,872.79	1,980.43	2,032.89	2,128.80
Budgetary Fund Balance	20.00	0.00	20.00	8.00
Non-Recurring Revenue	0.00	0.00	9.23	5.33
<b>Total Revenues</b>	<b>1,892.79</b>	<b>1,980.43</b>	<b>2,062.12</b>	<b>2,142.13</b>
<b>EXPENDITURES</b>				
City Departments	779.43	849.40	854.66	901.70
Public Health Commission	58.76	60.57	61.30	63.57
School Department	656.54	680.18	717.81	734.50
Reserve for Collective Bargaining	21.30	0.00	0.00	0.00
Total Appropriations	1,516.03	1,590.15	1,633.76	1,699.77
Pensions	136.97	146.56	186.28	192.92
Debt Service	123.92	118.40	116.97	119.64
State Assessments	106.51	111.69	120.62	125.14
Suffolk County Sheriff	4.55	4.20	4.48	4.66
Reserve	0.42	1.09	0.00	0.00
Total Fixed Costs	372.37	381.95	428.36	442.35
<b>Total Expenditures</b>	<b>1,888.40</b>	<b>1,972.09</b>	<b>2,062.12</b>	<b>2,142.13</b>
<b>Surplus (Deficit)</b>	<b>4.38</b>	<b>8.33</b>	<b>0.00</b>	<b>0.00</b>

Numbers may not add due to rounding

\*Note: Starting in FY04 the City is required to account for Charter School Tuition as a State Assessment instead of an offset to State Aid. Comparison to prior years may be affected.



This revenue situation provides the basis for planning FY07 appropriations and fixed costs to maintain a balanced budget. Selected FY07 budgeted revenues compare with FY06 budgeted revenues as follows: the net property tax levy increases \$51.4 million or 4.4%; excises increase \$6.7 million or 9.3%; fines increase \$3.0 million or 4.6%; interest on investments increases by \$1.2 million or 5.2%; payments-in-lieu-of-taxes increase \$0.6 million or 2.1%; Chapter 121A revenues increase \$1.3 million or 2.4%, miscellaneous department revenues increase by \$5.7 million or 17.5%; licenses and permits increase by \$4.4 million or 16.3%; and state aid increases \$12.6 million or 2.7%.

On the expenditure side of the budget, total departmental appropriations increase by \$66.0 million or 4.0% and fixed costs increase by \$14.0 million or 3.3%. Selected FY07 budgeted appropriations compare with FY06 budgeted appropriations as follows: City departments increase \$47.0 million or 5.5%, the Boston Public Health Commission increases by \$2.3 million or 3.7%, and the School Department increases \$6.7 million or 2.3%. FY07 budgeted fixed costs compare with FY06 budgeted fixed costs as follows: pensions increase \$6.6 million or 3.6%, debt service increases \$2.7 million or 2.3%, state assessments increase \$4.5 million or 3.7% and Suffolk County Sheriff increases \$0.2 million or 4.0%. Please note that the "Other" category on the FY07 Estimated Expenditures pie chart (Figure 2) is the Suffolk County Sheriff FY07 estimated expenditures.

It should be noted that the appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost. The appropriation for the City's County Pensions and Annuities expenses is included in the City Departments appropriation.

## REVENUE

Consistent revenue growth has allowed the City to record 20 consecutive operating budget surpluses through FY05 (Figure 3). FY06 is also expected to

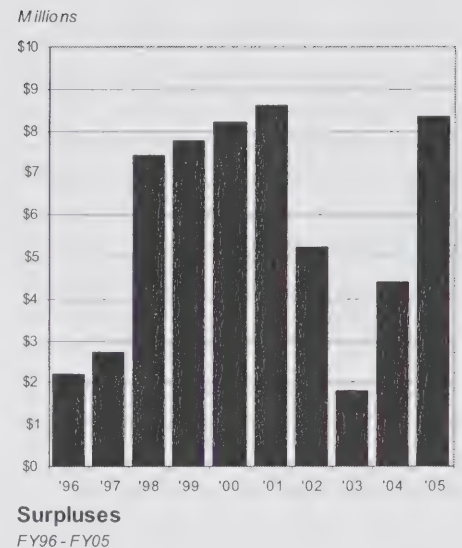


Figure 3

close with a surplus. The FY07 Budget is balanced on the following revenue projections.

## Property Tax Levy

A detailed discussion of the property tax levy is provided in the *Revenue Estimates and Analysis* chapter of this volume. Below is a brief summary.

The property tax levy has been the City's most dependable source of revenue growth during the past twenty-two years. The increases have been steady and consistent from FY85 to FY06, ranging from a low of \$28 million to a high of \$63 million. However, because of the increasing property tax levy base, the \$30 million increase in FY85 represented an 8.9% increase, while the \$57 million increase in FY06 represented only 5.0% growth. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City revenue.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since its adoption in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for taxable new value. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however,

has not voted to either override the levy limitations or to exclude any debt from the limit.

In each year since FY85, the City has increased its levy by the allowable 2.5%. During these same years, the levy has also been positively impacted by taxable new value. Taxable new value is expected to be approximately \$23.0 million in FY07.

Revenue growth from taxable new value has exceeded revenue growth from the 2.5% increase in 15 of the last 23 years (Figure 4). For the four years inclusive between FY00 and FY03, taxable new value revenue growth achieved a new record each year. FY03 taxable new value increased in large part due to the efforts of the Assessing Department to update personal property data. This increase cannot be duplicated in future years.

The combined effect of the allowable 2.5% increase and the taxable new value is an average annual gross levy increase from FY98 through FY06 of \$50.8 million or 5.4%, and a projected increase in FY07 of \$53.2 million or 4.4%. The gross property tax levy crested \$1 billion in FY03, totaled \$1,094.1 million in FY04 and \$1,150.6 million in FY05. It is expected to reach \$1,207.6 million in FY06 and is estimated at \$1,260.8 million in FY07.

Property values in Boston have been rising steadily. During FY04, the City conducted the eighth parcel-specific revaluation that established values as of January 1, 2003 at \$66.1 billion, an increase of 15% over the prior year's market indexed valuation of \$57.5 billion. The FY05 and

FY06 valuations were market-index valuation years. Values grew an average of 6.5% per year (Figure 5). FY07 will be another parcel-specific revaluation year counting values as of January 1, 2006.

## STATE AID

A detailed discussion of state aid is provided in the *Revenue Estimates and Analysis* chapter of this volume. Below is a brief summary.

In FY03, the Commonwealth's annual expenditure for direct local aid statewide was substantially reduced twice. The first statewide reduction of a net \$32 million dollars occurred in late July 2002, one full month into the fiscal year, and mostly as a result of vetoes by the Governor. The second reduction of \$114 million statewide occurred in January 2003, as a result of the Legislature granting the new governor temporary power to make unilateral reductions to local aid accounts.

In the decade prior to FY03, the Commonwealth had been successful in balancing its budget. This had given the Commonwealth the capacity to support an adequate and diversified local revenue base for municipalities. Recently, due to the national economic recession, the corresponding drop in state tax revenues left the state in need of making program reductions, drawing on reserves, increasing taxes, and reducing local aid. Municipalities are now primarily reliant on the property tax not only for revenue growth, but also to offset state aid reductions that have not been reinstated.

The primary forms of local aid distributions from the state to municipal general revenues are education aid, lottery aid and additional assistance. The amount of these funds to be distributed each year to an individual community is described on the "cherry sheet", a listing of a city or town's local aid that used to be printed on cherry-colored paper. Also listed on the cherry sheet are other relatively smaller Commonwealth programs such as library aid and other reimbursements.

### Education Aid

Current estimates of the state's budget for FY07 increases Boston's education aid over FY06. The City received Chapter 70 education aid totaling \$200.5 million in FY04 and FY05. The City expects

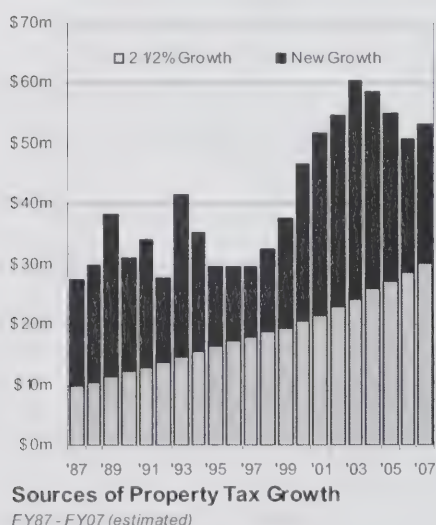


Figure 4

to receive \$203.6 million in FY06 and has budgeted \$207.0 million for FY07.

FY00 was the last year of the statutorily established funding schedule for education reform. The current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly funded schools administered independently from local school committee and teacher union rules and regulations. Their charters are granted by the State Board of Education.

There are currently twenty-two Commonwealth charter schools and two Horace Mann charter schools available to Boston resident students. There were approximately 4,254 Boston resident students attending Commonwealth charter schools in FY06 and the City expects that number to be approximately 4,697 in FY07.

Before FY99, all charter school tuition was drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$10.9 million in FY98. Under amendments to the charter school law, the Commonwealth, subject to appropriation, is required to pay to the City as a reimbursement, 100% of the increase in tuition for charter school students every year, followed by 60% of the tuition increase from the prior year and 40% of the tuition increase from the year prior to that. The fourth year of the original tuition increase is not reimbursed.

In FY03, the Commonwealth failed to appropriate funding for the charter school reimbursement, therefore the City paid the full tuition cost of \$32.1 million in that year. The net cost to the City for Charter Schools was \$33.6 million and \$31.6 million in FY04 and FY05 (which now includes a reimbursement for capital facilities as well as tuition), respectively. The City has budgeted a \$36.8 million net cost in FY06. In FY07 the city has budgeted a \$13.3 million reimbursement (incorporating the Governor's pro-rating of both the tuition [94%] and capital [96%] reimbursements) against a \$53.7 million tuition cost, yielding a net impact of \$40.4 million.

#### *Lottery Aid*

Lottery aid for municipalities had grown steadily over the last few years as a result of the phase-out of a cap in place since FY95. The City's lottery aid was \$71.0 million in FY01 and \$63.5 million in

FY02 without the cap. The City received FY03 lottery aid of \$57.6 million after a mid-year reduction and the imposition of another cap on lottery aid. The City received \$53.9 million in FY04 and FY05 and \$60.5 million in FY06 as the state continued to divert growth in lottery receipts away from cities and towns. For FY07, both the Governor and House Speaker proposed eliminating the current cap on lottery instead of an annual phase-out that would end in FY09. This will increase the City's lottery aid to \$70.6 million. The City has budgeted for this increase.

#### *Additional Assistance*

Additional Assistance had been level funded since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the governor vetoed \$31 million from the statewide appropriation and the legislature failed to override that veto. Subsequently, the new governor, using his temporary local aid reduction powers, reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives over 40% of the statewide distribution of additional assistance, these reductions, as a proportion of all local aid reductions, fell disproportionately on the City.

The City received \$175.1 million in additional assistance in FY03 after the reductions in that year and \$164.2 million in FY04 after a further reduction. The City received additional assistance in FY05 level with FY04 and expects FY06 and FY07 to be level-funded again. The Additional Assistance account was part of a "needs-based" aid package in the 1980's. Dollars of aid by community were determined through a formula that compared costs and revenues to statewide averages. Additional Assistance has been important to Boston in supporting schools, public safety, and other basic city services.

#### **LOCAL RECEIPTS**

Approximately 20% of the City's recurring revenue is mainly comprised of excise taxes, fines, payments-in-lieu-of-taxes, investment income, departmental revenue, licenses and permits, penalties and interest and available funds.

Many of these revenue streams are extremely sensitive to current economic conditions. With the recent improvement in the national economy,



excise, interest on investment, and license and permit revenues of the City have almost fully recovered from their recessionary lows in FY03 and FY04.

In FY03 the City collected \$377.3 million from these combined sources (some from one-time payments) and \$360.9 million in FY04. In FY05 the City collected \$412.9 million and the FY06 Budget assumes a conservative \$396.5 million. The FY07 Budget assumes growth to \$428.4 million. (See *Revenue Estimates & Analysis* section of

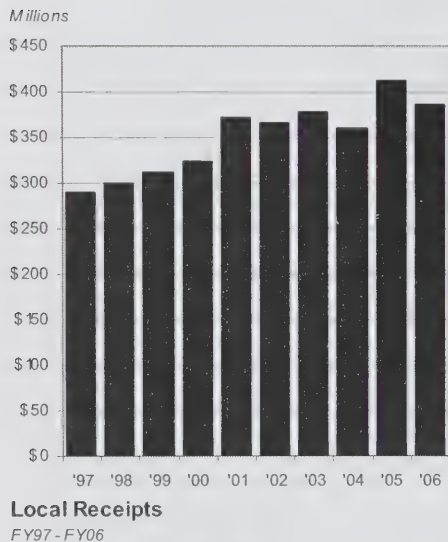


Figure 5

Volume I for more detail on this revenue source.)

The motor vehicle excise had performed well due to zero percent financing from manufacturers on new cars during the recession, some "forward buying" is likely to have occurred causing a minor drop in FY04 collections, but FY05 through FY07 shows a return in growth.

Hotel and Jet Fuel excises started their recovery around the Democratic National Convention in the summer of 2004 (FY05). Hotel occupancy has also increased due to strong advance bookings at the City's new convention center. Jet Fuel excise has increased substantially in the current fiscal year due to high fuel prices brought on in part by the disruption of Hurricane Katrina in New Orleans last summer.

Parking fines have been steady since fine increases in FY04 and will grow in FY07 due to

another fine increase specifically for street cleaning offenses in FY06.

With increasing Federal Funds rates, the City's investment earnings are rebounding to pre-recession levels after suffering steep losses as reduced interest rates suppressed investment returns.

License and permit revenues, as a result of building permits, have continued to grow in recent years due to strong residential and commercial development in the City combined with low interest rates. This activity is expected to slow somewhat with increasing interest rates.

The remaining sources of other revenue to the City are based on payment-in-lieu-of-tax agreements with non-profit institutions (the Massachusetts Port Authority renegotiated their agreement for FY06 through FY15), contracts with urban redevelopment corporations, or set rates of fees, fine, penalty or interest. These usually endure economic changes with small changes in activity or revenue.

### Non-Recurring Revenue

The City appropriates funds from the Surplus Property Disposition Fund on an as-needed basis for non-recurring expenditures.

In FY07, the City will appropriate \$5.3 million from the Surplus Property Disposition Fund for the following uses: \$1.0 million for the Risk Retention Reserve and the remaining \$4.3 million for the Mayor's "Leading the Way" affordable housing program.

### Budgetary Fund Balance

Fund Balance can be appropriated for use during the fiscal year. Fund Balance, or Budgetary Fund Balance, is more commonly referred to as "Free Cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending.

The FY04 Budget employed the use of a \$20.0 million appropriation from that amount. For FY05, \$15.0 million was appropriated but not needed due to stronger local revenue growth than expected. In the FY06 Budget, \$20.0 million has been



appropriated and the FY07 Budget assumes the use of an additional \$8.0 million. (See *Financial Management* section of Volume I for more detail on this revenue source.)

## EXPENDITURES

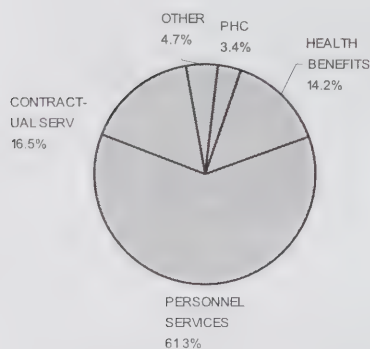
Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY07 appropriations are subdivided further as follows:

City Departments, which includes all operating department appropriations, a risk retention reserve and a set-aside for tax title and annual audit expenses;

Boston Public Health Commission (PHC), the City appropriation for the quasi-independent authority and successor to the Department of Health and Hospitals;

School Department, the City appropriation for the Boston Public Schools (BPS);

Appropriations are also presented by expenditure category across the three subgroups. (Figure 6)



**FY07 Appropriations by Category**

**Figure 6**

Personnel Services include salaries, overtime, medicare, unemployment compensation and workers' compensation for employees in City departments and BPS. It is important to note that most of the City's current collective bargaining contracts expired at the end of FY06 or will expire shortly thereafter. The FY07 budget does not include funding for new agreements. The Health Benefits appropriation provides coverage for City and BPS employees and retirees as well as PHC employees. The Contractual Services category includes expenditures for communications, repairs and service of buildings, equipment and vehicles,

transportation, trash collection and disposal, as well as outside legal, advertising and printing expenses. PHC is the City's appropriation to the Public Health Commission as noted above.

Included in the Other category are supplies & materials such as gasoline, uniform allowances, office supplies, workers' compensation medical expenses, medical indemnification in the Fire and Police Departments, legal liabilities and aid to veterans. Also included in Other are appropriations for equipment, vehicles, a risk retention reserve, the Housing Trust Fund, tax title and the City's outside audit.

## APPROPRIATIONS

### Health Insurance

Total health insurance costs for all employees and retirees are projected to increase by approximately \$24.5 million in FY07. The table below shows total actual expenditures for health insurance in FY03 through FY05 and budgeted totals for FY06 and FY07. These totals include estimates for City departments, PHC and grants.

Health Insurance			
Fiscal Year	Total Cost	Dollar Change	Percent Change
FY03	\$ 161.972		
FY04	\$ 178.533	\$ 16.561	10.2%
FY05	\$ 199.337	\$ 20.804	11.7%
FY06*	\$ 222.246	\$ 22.909	11.5%
FY07*	\$ 246.747	\$ 24.501	11.0%

Notes: (\$millions) \*budget estimate  
Includes grant-funded positions

In FY04 the City made a decision to drop two of the City's HMO plans. The consolidation of plans enabled the City to keep the percentage increase in HMO premium rates at a more affordable level. Even with the plan consolidation, HMO rates increased by 14.1% in FY06 on average and will increase by 13.3% on average in FY07. Rates for Harvard Health, the plan with the largest participation, will increase by 10.0% in FY07. The rates for the City's Master Medical indemnity plan remained level in FY06 but will increase by 12.8% in FY07.

Figure 7 shows a current breakdown of employee participation in the City's health plans. The first column shows total participants; the second and third columns show HMO participation vs.

Indemnity participation as well as the breakdown between retirees and active employees.

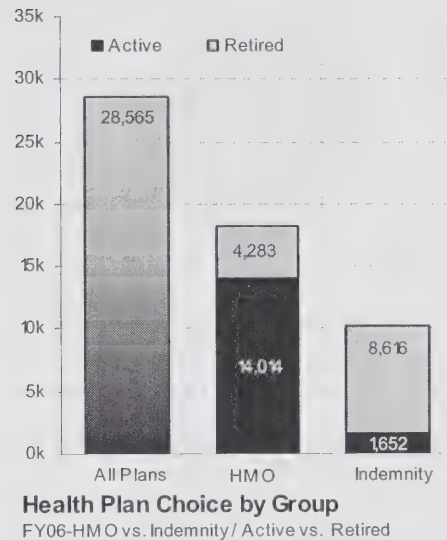
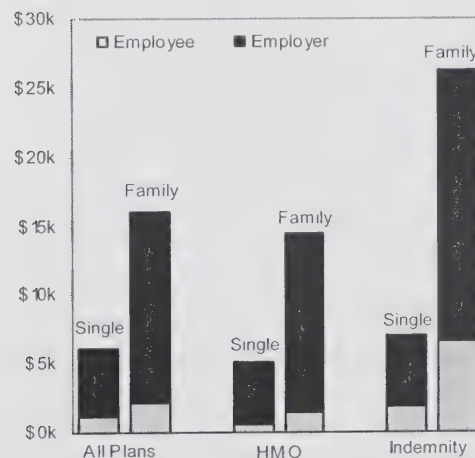


Figure 7

Figure 8 shows the total FY07 projected average cost per employee for health insurance with the employee and employer shares broken out. In FY07, based on current enrollment data, the total average cost to provide health insurance for an employee in a family plan is expected to be approximately \$16,044 with the City contributing an average of \$13,894 toward that cost. For an employee participating in an individual plan, the total average cost is expected to be \$6,207 in FY07 with the City contributing an average of \$5,029 toward that cost. The City contribution toward HMO's in general is 90%; the City contribution is



**Share of Average Annual Health Insurance Cost**  
FY07 Projected

Figure 8

75% for the indemnity plan.

### Budgeting for Employee Benefits

The City provides not only health insurance but dental and life insurance as well. Provisions for these benefits are included in three different general fund appropriations. The table below shows the amounts appropriated for City departments, BPS and the Public Health Commission to cover these benefits for general fund employees as well as retirees. It should be noted that of the total amount appropriated for health benefits in FY07, approximately \$87 million is for coverage for retired employees.

The City currently provides post employment healthcare and life insurance benefits to eligible retirees. The City has begun the process of determining its unfunded actuarial accrued liability with respect to future other post-employment benefit obligations (OPEB) in order to be in compliance with GASB 45. (See the *Financial Management Chapter* for more detail on OPEB.)

Health, Dental & Life			
Department	FY06*	FY07*	
City	\$ 151.576	\$ 168.525	
School	\$ 60.405	\$ 66.314	
PHC	\$ 5.779	\$ 6.570	
<b>Total</b>	<b>\$ 217.760</b>	<b>\$ 241.409</b>	

Notes: (\$millions) \*Appropriations

### City Departments

The combined appropriations for City Departments as shown in the FY07 Summary Budget have increased by 5.5% from the FY06 appropriations. Approximately 73.2% of the amount shown for City Departments covers four appropriations: Police, Fire, Public Works and Health Benefits. These four appropriations account for approximately 88% of the total increase in City Departments.

These appropriations also can be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 9)

Some of the highlights of FY06/FY07 changes by cabinet are as follows:

### Mayor's Office

The cabinet will see an increase of 7.7% in FY07. Most of the increases in the mayoral departments

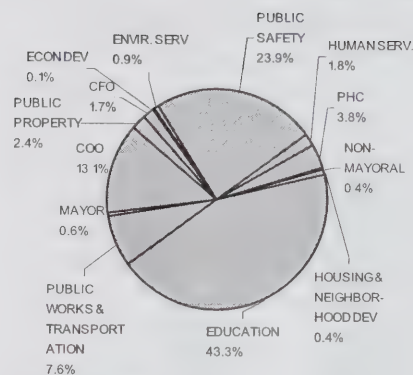
reflect standard salary increases with the exception of two departments. The increases in the Office of the Mayor and the Office of New Bostonians reflect policy decisions to be implemented in FY07.

The increase in the Office of the Mayor reflects a new initiative to develop an "Urban Mechanics" fellowship program hiring four fellows from local graduate schools who will apply their training to a portfolio of policy areas and work with city departments to improve service delivery.

Additionally, the Director of Recreation will be elevated to the Office of the Mayor to reflect the expanded role of the position to coordinate sports and recreation opportunities citywide in the agencies of the Boston Centers for Youth and Families, the Boston Public Schools and Parks and Recreation Department.

The significant increase in the Office of New Bostonians (ONB) reflects a funding transition from the Baxter Trust to the City's operating budget. ONB will continue with its multi-year public/private community project aimed at increasing English fluency with English for Speakers of Other Languages (ESOL) programs.

Also included in the Mayor's Cabinet is the Office of Emergency Preparedness (formerly the Office of Homeland Security). The mission of the Office includes not only the coordination and direction of Boston's inter-departmental and multi-jurisdictional homeland security activities but also the response to and recovery from incidents of terrorism, natural disasters and other emergency situations. During FY05 the Office conducted "Operation Atlas" a series of homeland security drills that brought together local, state, federal and private sector entities to test the efficiency of information sharing, communications and public information – all critical elements in terrorism prevention. In FY07 "Operation Poseidon" will build on the lessons learned from "Operation Atlas" and expand the scope of potential terrorist targets. Additionally, the Mayor's Office of Emergency Preparedness in partnership with the Public Health Commission will provide mini-grants to engage Boston's network of civic groups to improve emergency preparation at the neighborhood and family levels.



**FY07 Appropriations by Cabinet**

**Figure 9**

The Mayor's Office of Neighborhood Services (ONS) will continue to coordinate cross-departmental public/private strategies that will focus on keeping the City clean. As part of that strategy, "Boston Shines" kicks off its fourth year with a massive two-day spring cleanup and will continue working to educate Bostonians about keeping their city clean all year long. Also, ONS coordinates the Neighborhood Response Teams to work collaboratively with front line city service departments to efficiently solve problems in neighborhoods by improving service delivery. ONS is also an active government participant in the B-SMART, (Boston Strategic Multi-Agency Response Teams), program which is led by the Human Service Cabinet.

### Chief Operating Officer

Excluding the City's appropriation for health insurance, this cabinet will see a net increase of 6.6% in its FY07 appropriation. The Library department will see a 3.5% increase to cover inflationary increases related to fixed costs including utilities, as well as an increase in book purchases. The funding level for the Library also assumes that the historical appropriation requirements of the state in order to be eligible for state funding will be met with operating and external funding.

The Management and Information Services (MIS) department will see a 16.3% increase illustrating the Mayor's commitment to focus on technology to increase efficiencies and deliver improved city services. In FY07 MIS will begin the implementation of the City's new enterprise-wide



permitting and licensing system and also begin a needs assessment for a Citizen Relationship Management (CRM) system. The CRM system will be a central repository to intake citizen's service requests, dispatch work to the responsible city department, and track the final resolution to the citizen's request.

The Registry Division of Births, Deaths and Marriages will see a 2.8% increase in its FY07 appropriation to cover personnel costs related to collective bargaining and contractual requirements.

The Health Insurance appropriation will increase by 11.2% over the FY06 appropriation, requiring an additional \$16.9 million. The Health Insurance appropriation includes the cost of dental and vision coverage for employees (not including BPS and PHC) and retirees who are eligible for coverage through collective bargaining agreements or executive order.

The Mayor's Office of Consumer Affairs & Licensing has been transferred into the Public Property cabinet (formerly the Basic City Services cabinet) in FY07 to more closely align the department's responsibility for permitting public special events in the Cabinet that has traditionally coordinated the City's participation with these special events.

### **Chief Financial Officer**

After excluding tax title funding from the FY06 appropriation, the net percentage increase in this cabinet is 3.1%. Departments within the cabinet will see increases related to salary costs associated with collective bargaining. The Office of Budget Management will upgrade the Boston About Results (BAR) performance management tracking system to fully integrate budget and performance metrics into a unified system to effectively measure performance. The Cabinet also includes appropriations for Medicare Payments, Pensions & Annuities and Executions of Courts. In FY07 the Assessing Department will conduct a parcel-specific revaluation establishing commercial and residential property values as of January 1, 2006. Assessing is required to conduct a comprehensive parcel-specific revaluation every three years.

### **Public Safety**

The 5.9% increase in this cabinet is driven by several components. First, the increase reflects the annualized impact of collective bargaining increases that occurred in January 2006. Second, a policy decision has been made to consolidate public safety resources by transferring the Municipal Police into the Boston Police Department. Third, each department will be hiring recruit classes during FY07 that will increase the levels of public safety staff.

The FY07 budget for the Fire Department will increase by approximately \$5.8 million or 3.9%. The appropriation provides for a class of firefighters scheduled to start at the beginning of FY07 and a second recruit class of firefighters scheduled to start in the winter of FY07. The Fire Department will continue to focus on the management of overtime, including overtime related to sick and injured leave. Also, a continued emphasis will be put on the case management of injuries and working with the City's Retirement Board on the expeditious processing of accidental disability retirements.

The Police Department's appropriation will increase by approximately \$16.7 million or 7.1%. The FY07 Budget reflects the department's continuing efforts to focus its resources on the direct delivery of neighborhood policing services while playing a primary role in the Mayor's Comprehensive Anti Crime Strategy. The FY07 appropriation provides for the annualized costs of a large recruit class that started in the Spring of FY06, plus two additional large recruit classes that will start in the Fall and Spring of FY07. Also, as stated above, a number of Municipal Police Officers currently working in the Property and Construction Management Department will be transferred into the Boston Police Department in FY07.

The Boston Police Department will participate in a Strategic Crime Council that will take a six-pronged approach to crime fighting including: a legislative agenda with regional and national outreach, the involvement of public health and healthcare agencies, targeted law enforcement strategies, education and awareness efforts, community outreach and judicial system changes.

The Boston Regional Intelligence Center (BRIC) has been assigned directly to the Police

Commissioner's in FY07. Daily intelligence reports are used to revise deployment patterns and assign more officers to service to areas identified to be the highest priorities. The department has also been making improvements in the area of crime scene analysis, including a restructuring of the finger print lab. The Police Department has played a major role in the new Family Justice Center of Boston - a multi-disciplinary approach that will bring together services for victims of domestic violence, sexual assault and child abuse.

### **Economic Development**

The 3.2% increase in this Cabinet reflects the general increase to salaries experienced by departments citywide.

With the expiration of the City's M/WBE ordinance at the close of calendar year 2002, the Mayor issued an Executive Order on Small and Local Business Enterprise Development to ensure the equitable participation of small and local business in the City's contracting arena. The Small and Local Business Enterprise Office (S/LBE) is responsible for the development, coordination and implementation of the executive order and will work to enhance the participation of Small, Local and Minority and Women Business Enterprises (SLMWBE).

The City's commitment to centralizing planning for the City of Boston within the Boston Redevelopment Authority will continue to be fully funded within the existing BRA revenue structure in FY07.

The Mayor's Office of Arts, Tourism and Special Events (MOATSE) will be transferred from the Chief Economic Development Officer's Cabinet to the Public Property Cabinet (formerly the Basic Services Cabinet).

### **Public Property**

The Basic City Services Cabinet has been renamed Public Property in FY07 to reflect the goal of consolidating the responsibilities for operations and maintenance for city buildings and properties. Additionally, the Mayor's Office of Arts, Tourism & Special Events and the Mayor's Office of Consumer Affairs & Licensing have been transferred into the Public Property Cabinet in FY07 to streamline the review and permitting for the City's public events.

Overall this newly renamed and reorganized cabinet will see a decrease of 1.7% increase mainly because of the proposed change in the operations of the security program in the Property and Construction Management Department (PCM). The Property and Construction Management Department continues to provide centralized operations and maintenance for multi-departmental city buildings such as Boston City Hall, 1010 Massachusetts Avenue and the Rivermoor building in West Roxbury as well as the maintenance services for 26 Boston Centers for Youth & Families (BCYF) buildings. (The Property and Construction Management Department assumed the preventive maintenance and repair of mechanical systems and structures for BCYF in FY05.)

Property and Construction Management is also responsible for all major renovations to City buildings and will lead the effort to consolidate the storage needs of the City Archives and the Boston Public Library at the Rivermoor building. The overall decrease of funding for Property & Construction Management is mainly the result of the reorganization of the security program and the transfer of a number of Municipal Police Officers to the Boston Police Department in FY07.

The Election Department will expand its effort to canvass all of Boston's neighborhoods during the annual listing to have a full and complete list of Boston residents to provide to the State's Jury Commission. Additionally, expanded outreach to non-English speakers is planned along with regular voter registration efforts.

Increased costs related to fuel and utilities plus an increase to contracted services for Park Rangers and tree trimming have contributed to the Parks Department's FY07 budget increase.

### **Public Works & Transportation**

Departments included in this cabinet include the newly created office for the cabinet-level position of the Chief of Public Works and Transportation. Individual departments in this cabinet include Public Works, Central Fleet Maintenance and Transportation, as well as the City's appropriation for snow removal. The Snow Removal budget is established using a multi-year annual cost averaging methodology. Excluding the budget for

Snow Removal the Cabinet reflects an increase of 2.8% in FY07.

The administrative, financial, technological and public information resources in both the Public Works and Transportation departments have been consolidated into the Chief of Public Works and Transportation department to facilitate the ongoing consolidation of functional overlaps between the two departments. There will also be a strengthened effort to identify efficiencies and improve service delivery with an expansion of technology.

The increase in the Public Works Department's FY07 appropriation of \$1.9 million or 2.2% is largely driven by the increase in utility costs given the Public Works Department's responsibility for operating all of the City's street lights and traffic signals. Additionally, contracted costs for residential waste removal and street light repair and maintenance have contributed to Public Works' increase. After piloting Global Positioning Systems (GPS) in its FY06 snow removal contracts, Public Works has documented great operational efficiencies and plans to expand the program in FY07. The GPS system provides enhanced equipment deployment, aids in the dispatch of limited city inspection forces and assures accountability for both the contractors as well as city employees. The GPS system provides a real-time record for hours worked and salt and sand used. Public Works will fully expand GPS with all snow removal contractors in FY07 and will introduce the GPS system to its street sweeping contracts in FY07.

In FY07, the Transportation Department will see a decrease in its appropriation of \$267 thousand. This reduction reflects both the transfer of administration and finance employees to the newly created Office of the Chief of Public Works and Transportation and the removal of a budget for financing costs that were assumed in FY06 related to an energy efficiency project. Transportation originally planned to award a contract to retrofit 6,600 traffic signal lamps with energy efficient light emitting diodes (LEDs), however, after proposals were received, the traffic signal maintenance unit at the Public Works Department made a competing counteroffer that was significantly less costly than the third party

contractor's proposal. The costs of LED units themselves were covered by energy efficiency rebates distributed by Boston's local electric utility, NSTAR. The lower installation cost offered by the city employees was one of the deciding factors to opt to effectuate the LED project with in-house resources. This LED retrofit project will reap permanent electric consumption savings totaling 2.6 million kilowatt hours (kWh) per year. Additionally, LED traffic signals are also much brighter than the former incandescent traffic signals and will be replaced less frequently given their five to seven year useful life.

## **Environment and Energy**

The Environment and Energy Cabinet which includes the Environment and Inspectional Services (ISD) departments, will see a 2% increase in FY07. The Environment and Energy Cabinet focuses on energy policy including renewable energy, green buildings and electricity deregulation in addition to enforcing the City's building, housing and environmental regulations. The Inspectional Services Department (ISD) will see an increase of 1.2%. ISD will be the first City department to move their business processes on to the new enterprise permitting and licensing system being implemented by the Management Information Services (MIS) Department. The goal of the enterprise permitting and licensing system is to move all City permitting on to a central system to provide a consistent level of service and data across all city departments. The Environment Department's increase of 11.1% is mainly related to meeting the Mayor's commitment to provide funding for the Boston Groundwater Trust for the monitoring of groundwater in areas of the City where low groundwater levels put Boston's historic buildings at risk of being structurally compromised.

## **Human Services**

Overall, the FY07 appropriation for the Human Services Cabinet shows an increase of 3.9% from the total FY06 appropriation. The Human Services Cabinet will continue its leadership role in the B-SMART, (Boston Strategic Multi-Agency Response Teams) initiative that aims to reduce crime and build community capacity by targeting hot spot crime areas through a collaborative government and community partnership. Government partners in the B-SMART program



include Boston Centers for Youth & Families (BCYF), Boston Police Department and the Mayor's Office of Neighborhood Services. The BCYF budget will increase by 3.7% with FY07 increases associated with collective bargaining for employee salaries along with operational increases related to energy costs. The Director of Recreation will be transferred from BCYF to the Office of the Mayor to reflect the expanded role of the position to coordinate the youth sports and recreational opportunities citywide in BCYF, the Boston Public Schools and the Parks and Recreation Department. BCYF will continue its efforts to provide a more structured delivery of services at the various community centers located in the neighborhoods in FY07. BCYF will coordinate its efforts with the Police Department and other agencies to build relationships with at-risk kids, especially through a strengthened streetworker program. BCYF plays a significant role in the B-Smart program.

The Veterans Services Department will see a 11.6% increase in FY07 mainly as a result of expanded benefits coverage that now includes peacetime veterans.

The FY07 Youth Fund appropriation is level funded with the FY06 appropriation. The Youth Fund will continue its successful partnering with community-based organizations to have youth working in the organizations and projects to increase the number of summer jobs provided. The City expects to receive funding from the Commonwealth of Massachusetts for the YouthWorks program to target summer jobs for at-risk and low income youth. The Mayor has also raised private funds to work with the Youth Opportunity Boston organization to launch a summer jobs program for teenagers who have committed serious crimes to help these individuals to develop transferable job skills.

In FY07, the Elderly Commission will see a 2.9% increase, the majority of which is related to collective bargaining salary increases. The Elderly Commission is reaping the operational benefits associated with scheduling software supported by Global Positioning Systems (GPS). The GPS enabled software allows the Commission to know the exact location of each senior shuttle van in real-time. In an effort to reduce racial and ethnic disparities, the Elderly Commission seeks to

expand access to transportation and nutrition services to elder residents of color by targeting neighborhoods that currently under-utilize such services.

### **Housing and Neighborhood Development**

This cabinet is showing a decrease from its FY06 appropriation. The Cabinet budget decrease relates solely to the amount appropriated for the Leading the Way II (LTWII) program. The budgeted amount for FY07 is based on the cash flow needs for the year. The Department of Neighborhood Development shows an increase of 3% over the FY06 appropriation mainly as a result of scheduled contractual salary increases.

The cabinet's activities in FY07 will include a major focus on achieving the City's overall goal of increasing the housing supply to meet workforce demand. The LTWII program continues the successful blueprint used in the first phase of the program to meet and sustain the City's housing needs by creating affordable housing, preserving neighborhood stability and addressing homelessness.

Marking the tenth anniversary of the Boston Home Center, DND proposes a major focus on foreclosure prevention. This will be accomplished through a comprehensive package of education, one-on-one direct assistance and the availability of a refinancing loan pool to help prevent foreclosures. DND will also initiate a new mortgage product plus down-payment assistance to enable middle income homebuyers to "reach up" high enough in the market to afford what is currently available.

The Department of Neighborhood Development (DND) will continue to support the Main Street Districts in their mission to build vibrant neighborhood commercial districts. A private Main Streets Foundation was recently created to enhance the sustainability of the Main Street districts and contribute to continued economic development in the districts.

### **Public Health Commission**

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and



Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network, which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY07 appropriation for the Public Health Commission shows an increase of 3.7% from the FY06 appropriation. The Public Health Commission Budget includes a \$10.75 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital. The direct payment requirement is level funded with FY06. The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$10.9 million.

The Public Health Commission will play a leading role in the Mayor's goal to narrow health disparities between the races. \$1 million in funding will be provided to community agencies and health facilities to improve data collection, provide patient navigators, offer cultural competency training and strengthen educational and training opportunities for residents of color interested in health care professions.

### **School Department**

The FY07 School Department Budget is showing a \$16.7 million, or 2.3%, increase from the FY06 appropriation. Much of the increase in this budget will be used to cover rising fixed costs in the areas of health insurance, utilities and contractual obligations. However, the budget also allocates resources to areas of high priority that will allow the School Department to make progress on its agenda to close the achievement gap and maximize student achievement for all. The FY07 budget includes funding for the second phase of a multi-year plan to meet the goal of providing full-day kindergarten for all four-year-olds by 2010 by adding an additional 350 Kindergarten 1 seats and converting 3 SPED classes to full-day. (See the *Education* chapter of this volume for more details.)

# Appropriations by Cabinet

Cabinet	Department	FY04 Expenditure	FY05 Expenditure	FY06 Appropriation	FY07 Appropriation	Inc/(Dec) 07 vs 06
Mayor's Office	Office of Emergency Preparedness	0	0	191,984	191,984	0
	Intergovernmental Relations	978,083	855,343	956,966	980,416	23,450
	Law Department	4,344,093	4,013,227	4,625,000	4,773,475	148,475
	Mayor's Office	1,413,610	1,618,254	1,850,756	2,151,631	300,875
	Neighborhood Services	994,610	1,013,900	1,156,460	1,181,150	24,690
	Office of New Bostonians	77,978	85,954	83,965	317,816	233,851
	Public Information	851,444	854,371	944,224	973,098	28,874
	<b>Total</b>	<b>8,659,818</b>	<b>8,441,049</b>	<b>9,809,355</b>	<b>10,569,570</b>	<b>760,215</b>
Chief Operating Officer	Chief Operating Officer	902,371	844,288	910,058	885,069	-24,989
	Graphic Arts Department	1,391,776	1,327,400	1,455,995	1,506,735	50,740
	Health Insurance	124,956,847	139,104,893	151,576,119	168,525,434	16,949,315
	Human Resources	2,553,459	2,567,538	2,770,083	2,841,802	71,719
	Labor Relations	918,845	1,212,846	1,279,259	1,284,099	4,840
	Library Department	24,085,844	26,599,975	27,477,909	28,448,473	970,564
	Management & Information Svcs	12,789,845	13,267,262	13,936,548	16,210,861	2,274,313
	Registry Division	713,176	781,029	842,634	865,827	23,193
	Unemployment Compensation	5,992	9,751	50,000	50,000	0
	Workers' Compensation Fund	3,688,947	3,916,034	2,200,000	2,200,000	0
	<b>Total</b>	<b>172,007,102</b>	<b>189,631,016</b>	<b>202,498,605</b>	<b>222,818,300</b>	<b>20,319,695</b>
Chief Financial Officer	Assessing Department	5,138,326	5,732,909	5,794,614	6,141,699	347,085
	Auditing Department	1,888,390	1,867,192	1,986,924	2,133,244	146,320
	Budget Management	2,341,656	2,554,975	2,567,531	2,534,382	-33,149
	Execution of Courts	18,842,206	10,883,972	3,500,000	3,500,000	0
	Medicare Payments	4,100,000	4,313,859	4,671,000	4,926,000	255,000
	Pensions & Annuities	4,900,000	4,899,985	4,700,000	4,700,000	0
	Purchasing Division	1,138,234	1,240,983	1,279,870	1,361,684	81,814
	Treasury Department	4,017,245	4,243,620	4,310,687	3,724,389	-586,298
	<b>Total</b>	<b>42,366,057</b>	<b>35,737,495</b>	<b>28,810,626</b>	<b>29,021,398</b>	<b>210,772</b>
Public Safety	Fire Department	137,753,681	150,730,469	148,009,767	153,780,312	5,770,545
	Police Department	211,363,261	234,580,600	235,456,082	252,164,016	16,707,934
	<b>Total</b>	<b>349,116,942</b>	<b>385,311,069</b>	<b>383,465,849</b>	<b>405,944,328</b>	<b>22,478,479</b>
Education	Boston Public Schools	656,538,811	680,181,395	717,809,179	734,500,000	16,690,821
	<b>Total</b>	<b>656,538,811</b>	<b>680,181,395</b>	<b>717,809,179</b>	<b>734,500,000</b>	<b>16,690,821</b>
Economic Development	Boston Residents Job Policy	426,252	444,786	467,830	495,141	27,311
	Small/Local Business	540,371	539,673	579,098	584,950	5,852
	<b>Total</b>	<b>966,623</b>	<b>984,459</b>	<b>1,046,928</b>	<b>1,080,091</b>	<b>33,163</b>
Public Property	Arts, Tourism & Special Events	0	1,542,218	1,660,014	1,625,466	-34,548
	Consumer Affairs & Licensing	360,123	409,793	437,245	442,357	5,112
	Election Department	2,206,761	2,105,615	2,562,000	2,607,646	45,646
	Parks & Recreation Department	12,474,395	14,134,497	14,556,313	14,679,331	123,018
	Property & Construction Mgmt.	21,243,083	23,227,715	22,785,281	21,921,559	-863,722
	Special Events & Tourism	902,904	0	0	0	0
	<b>Total</b>	<b>37,187,266</b>	<b>41,419,838</b>	<b>42,000,853</b>	<b>41,276,359</b>	<b>-724,494</b>
Public Works & Transportation	Chief of Public Works & Transportation	0	0	0	1,545,434	1,545,434
	Central Fleet Maintenance	2,033,598	2,111,779	2,126,481	2,183,190	56,709
	Public Works Department	75,561,126	82,616,523	84,069,132	85,940,100	1,870,968
	Snow Removal	10,044,054	21,970,447	10,595,544	12,241,753	1,646,209
	Transportation Department	27,482,758	26,159,723	27,313,648	27,046,407	-267,241
	<b>Total</b>	<b>115,121,536</b>	<b>132,858,472</b>	<b>124,104,805</b>	<b>128,956,884</b>	<b>4,852,079</b>
Environment & Energy	Environment Department	961,761	1,044,156	1,184,358	1,315,787	131,429
	Inspectional Services Dept	13,032,269	13,602,169	14,281,432	14,456,704	175,272
	<b>Total</b>	<b>13,994,030</b>	<b>14,646,325</b>	<b>15,465,790</b>	<b>15,772,491</b>	<b>306,701</b>
Human Services	Boston Centers for Youth & Families	16,821,909	17,467,325	18,521,612	19,198,292	676,680
	Civil Rights	270,598	295,179	304,880	305,091	211
	Cultural Affairs	687,696	0	0	0	0
	Elderly Commission	2,403,928	2,502,685	2,600,913	2,676,851	75,938
	Emergency Shelter Commission	499,903	530,713	535,448	535,920	47
	Veterans Services Department	3,168,192	3,359,843	3,390,877	3,783,376	392,499
	Women's Commission	139,939	146,121	150,143	150,643	500
	Youth Fund	3,661,347	3,719,791	3,806,648	3,806,648	0
	<b>Total</b>	<b>27,653,512</b>	<b>28,021,657</b>	<b>29,310,521</b>	<b>30,456,821</b>	<b>1,146,300</b>
Neighborhood Development	Leading the Way	3,000,000	0	7,500,000	4,331,000	-3,169,000
	Neighborhood Development	2,157,035	2,196,922	2,927,308	3,014,962	87,654
	Rental Housing Resource Center	550,825	522,743	0	0	0
	<b>Total</b>	<b>5,707,860</b>	<b>2,719,665</b>	<b>10,427,308</b>	<b>7,345,962</b>	<b>-3,081,346</b>
Public Health	Public Health Commission	58,762,237	60,568,437	61,300,000	63,571,000	2,271,000
	<b>Total</b>	<b>58,762,237</b>	<b>60,568,437</b>	<b>61,300,000</b>	<b>63,571,000</b>	<b>2,271,000</b>
Non-Mayoral Departments	City Clerk	827,569	783,264	874,868	883,183	8,315
	City Council	3,681,422	3,948,976	4,139,874	4,221,824	81,950
	Finance Commission	159,335	168,187	182,598	183,588	990
	Licensing Board	532,989	583,797	597,078	592,727	-4,351
	<b>Total</b>	<b>5,201,315</b>	<b>5,484,224</b>	<b>5,794,418</b>	<b>5,881,322</b>	<b>86,904</b>
<b>Grand Total</b>		<b>1,493,283,109</b>	<b>1,586,005,101</b>	<b>1,631,844,237</b>	<b>1,697,194,526</b>	<b>65,350,289</b>

## Pensions

The State-Boston Retirement System (SBRs) is one of 106 public pension systems governed by Massachusetts General Law Chapter 32. The City of Boston, including its teachers, constitutes approximately 85% of the payroll of the SBRs employee membership. The City's annual pension funding requirement was \$137.0 million in FY04 and \$146.6 million in FY05; is \$186.3 million in FY06; and will be \$192.9 million in FY07. These numbers do not include pension costs allocated to the budgets of the Suffolk County Sheriff's Department or the Public Health Commission.

After several years of modest increases, the City's pension expense underwent a significant increase in FY06, due to an update in the SBRs pension funding schedule, as is required by Chapter 32 every three years. The 1/1/2004 data, on which the funding amounts for FY06 through FY08 are based, shows the actuarial value of assets increasing over the prior three year period by 5.4%, and liabilities over the same period, increasing by 27.3%, thus significantly driving up the funding cost in the new schedule. The SBRs rates of return for the prior three years (2001, 2002, 2003) were minus 5.72%, minus 9.73%, and plus 23.09%, on a market value basis. The increase in pension liability is driven by the October 2002 early retirement incentive, the Quinn bill impact on police salaries, and a major change in the law governing teachers' pensions. The City's current pension funding schedule fully funds the system by the end of FY2023.

## Debt Service

The City had expenditures for debt service of \$123.9 million in FY04 and \$118.4 million in FY05. The City has a budget of \$117.0 million for debt service in FY06 and expects to spend \$119.6 million on debt service in FY07. The City carries a favorable debt position and debt burden due to well-defined debt policies and a long-term capital strategy that benefits from non-property tax support. As a result of the City's strong budgetary controls and prudently designed debt policies, in

February 2005, the City achieved a historically high bond rating by Moody's Investor's Service. For further detail see the *Capital Planning* and *Financial Management* chapters of this volume.

## State Assessments

Accompanying the local aid distributions on the cherry sheet are several charges to the City from the Commonwealth. In FY05, an assessment for the value of Charter School tuition, previously treated as a direct offset to Chapter 70 education state aid was added. All but the state assessments for the Massachusetts Bay Transportation Authority (MBTA) and Charter School Tuition are relatively small. In accordance with Proposition 2 1/2, these charges on a statewide basis, except for Charter School Tuition, cannot increase annually by more than 2.5%. The City's state assessment (inclusive of Charter School Tuition) increased from \$111.7 million in FY05 to \$120.6 million in FY06. The City expects growth in assessments to \$125.1 million in FY07.

## Suffolk County Sheriff

The appropriation for the Suffolk County Sheriff, which is mandated by the State, is included in the Fixed Costs section of the Budget Summary. Prior to FY04, funding for the Sheriff was shown in the Appropriations section as part of a County appropriation. Because funding for the Suffolk County Sheriff is a mandated cost it is more appropriate to categorize it as a fixed cost.

In FY06, the City was responsible for funding 4% of the Sheriff's Department Budget with the Commonwealth funding the rest. The appropriation included in the FY07 budget is an estimate. The maintenance of effort requirement will be communicated to the City after the Sheriff's total budget is approved by the County Government Finance Review Board sometime in late summer or early fall.

State Assessments				
	FY04 Actual	FY05 Actual	FY06 Budget	FY07 Budget
M.B.T.A.	\$ 64,591,393	\$ 65,075,413	\$ 65,185,386	\$ 66,210,888
Charter School Tuition	36,661,520	41,875,268	50,647,003	53,683,444
RMV Non-Renewal Surcharge	3,519,140	3,108,660	3,108,660	3,557,180
Other Assessments	1,735,834	1,632,437	1,677,242	1,686,701
	\$ 106,507,888	\$ 111,691,778	\$ 120,618,291	\$ 125,138,213



## Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$22.6 million. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. (See *Financial Management* section of Volume I for detail.)

<b>Tregor Reserve Fund</b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds In</b>	<b>Funds Out</b>	<b>Ending Year Balance</b>
FY00	18.680	0.000	0.000	18.680
FY01	18.680	1.308	0.000	19.988
FY02	19.988	1.000	0.000	20.988
FY03	20.988	0.151	0.000	21.139
FY04	21.139	0.417	0.000	21.556
FY05	21.556	1.087	0.000	22.643
*FY06	22.643	0.000	0.000	22.643
*FY07	22.643	0.000	0.000	22.643

Notes: (\$millions), \*projected

## PERSONNEL CHANGES

The following Personnel Summary table shows a four-year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The projected numbers used for FY07 are estimates based on the level of funding for personnel contained in the FY07 budgets.



# Personnel Summary

		1/1/04 FTE	1/1/05 FTE	1/1/06 FTE	1/1/07 Projected	Projected Inc/(Dec)
Office of the Mayor	Intergovernmental Relations	8.8	6.8	6.8	8.8	2.0
	Law Department	46.0	44.0	41.0	44.0	3.0
	Mayor's Office	20.8	23.4	23.4	28.4	5.0
	Neighborhood Services	19.0	19.0	23.0	23.0	-
	Office of Emergency Preparedness	-	-	-	1.0	1.0
	Office of New Bostonians	1.0	1.0	1.0	5.0	4.0
	Public Information	16.5	15.1	18.1	18.5	0.4
	<b>Total</b>	<b>112.1</b>	<b>109.3</b>	<b>113.3</b>	<b>128.7</b>	<b>15.4</b>
Chief Operating Officer	Chief Operating Officer	8.0	7.0	7.0	7.0	-
	Graphic Arts	31.0	29.0	28.0	29.0	1.0
	Human Resources	43.9	45.9	43.6	45.6	2.0
	Labor Relations	11.4	10.4	11.4	11.4	-
	Library Department	422.6	426.9	423.2	425.8	2.6
	Management Info Svcs	103.0	100.0	101.0	103.0	2.0
	Registry Division	18.0	18.0	18.0	18.0	-
	<b>Total</b>	<b>637.9</b>	<b>637.2</b>	<b>632.2</b>	<b>639.8</b>	<b>7.6</b>
Chief Financial Officer	Assessing Department	88.0	91.0	87.0	90.0	3.0
	Auditing Department	34.0	32.0	33.0	34.0	1.0
	Budget Management	22.7	22.7	21.9	21.9	-
	Purchasing Division	19.0	19.0	20.0	20.0	-
	Retirement Board	-	-	-	-	-
	Treasury Department	58.0	56.0	56.0	56.0	-
	<b>Total</b>	<b>221.7</b>	<b>220.7</b>	<b>217.9</b>	<b>221.9</b>	<b>4.0</b>
Public Safety	Fire Department	1,610.5	1,608.5	1,602.5	1,650.0	47.5
	Police Department	2,782.4	2,842.8	2,818.3	2,978.0	159.7
	<b>Total</b>	<b>4,392.9</b>	<b>4,451.3</b>	<b>4,420.8</b>	<b>4,628.0</b>	<b>207.2</b>
Education	School Department	7,792.5	8,008.8	8,087.1	8,396.3	309.2
	<b>Total</b>	<b>7,792.5</b>	<b>8,008.8</b>	<b>8,087.1</b>	<b>8,396.3</b>	<b>309.2</b>
Economic Development	Small/Local Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	8.0	8.0	8.0	8.0	-
	<b>Total</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>	<b>16.0</b>	<b>-</b>
Public Property	Arts, Tourism & Special Events	-	16.0	17.0	17.0	-
	Consumer Affairs & Licensing	7.4	8.2	7.4	7.4	-
	Election	19.1	20.4	20.2	21.2	1.0
	Parks and Recreation	192.6	195.6	200.0	200.0	-
	Property & Construction Mgmt.	302.6	294.1	296.1	228.0	(68.1)
	Special Events & Tourism	9.0	-	-	-	-
	<b>Total</b>	<b>530.7</b>	<b>534.3</b>	<b>540.7</b>	<b>473.6</b>	<b>(67.1)</b>
Public Works & Transportation	Chief of Public Works & Transportation	-	-	-	21.0	21.0
	Central Fleet Maintenance	40.0	41.0	44.0	44.0	-
	Public Works Department	368.6	382.6	371.0	358.0	(13.0)
	Transportation	384.9	359.9	369.6	358.6	(11.0)
	<b>Total</b>	<b>793.5</b>	<b>783.5</b>	<b>784.6</b>	<b>781.6</b>	<b>(3.0)</b>
Environment & Energy	Environment	15.0	16.0	19.0	19.0	-
	Inspectional Services	227.0	228.0	226.0	226.0	-
	<b>Total</b>	<b>242.0</b>	<b>244.0</b>	<b>245.0</b>	<b>245.0</b>	<b>-</b>
Human Services	Boston Center for Youth & Families	335.4	338.7	358.3	361.6	3.3
	Civil Rights	8.0	9.0	9.0	9.0	-
	Cultural Affairs	9.0	-	-	-	-
	Elderly Commission	55.2	57.6	54.5	65.5	11.0
	Emergency Shelter	6.0	4.0	4.0	4.0	-
	Veterans Services	15.2	14.2	15.2	15.2	-
	Women's Commission	2.0	2.0	2.0	2.0	-
	Youth Fund	3.0	3.0	4.0	4.0	-
	<b>Total</b>	<b>433.8</b>	<b>428.5</b>	<b>447.0</b>	<b>461.3</b>	<b>14.3</b>
Neighborhood Development	Neighborhood Development	38.8	36.2	51.8	51.8	-
	Rental Housing Resource Center	11.1	11.1	-	-	-
	<b>Total</b>	<b>49.9</b>	<b>47.3</b>	<b>51.8</b>	<b>51.8</b>	<b>-</b>
Public Health	Public Health Commission	728.0	743.0	738.1	748.9	10.8
	<b>Total</b>	<b>728.0</b>	<b>743.0</b>	<b>738.1</b>	<b>748.9</b>	<b>10.8</b>
Non-Mayoral	City Clerk	12.4	12.4	13.0	13.0	-
	City Council	71.1	79.4	75.1	75.1	-
	Finance Commission	3.0	3.0	3.0	3.0	-
	Licensing Board	10.6	10.6	9.6	9.6	-
	<b>Total</b>	<b>97.1</b>	<b>105.4</b>	<b>100.7</b>	<b>100.7</b>	<b>-</b>
<b>Grand Total</b>		<b>16,048.1</b>	<b>16,329.3</b>	<b>16,395.2</b>	<b>16,893.6</b>	<b>498.4</b>

**FY05- FY06 FTE Changes** - The total net increase in FTEs from January 1, 2005 to January 1, 2006 was 66. Staffing in the majority of the departments remained at or near the levels in previous years. The City continues to use a Position Review Committee to review all postings for vacant positions. All hiring is scrutinized and approved only if it is critical and can be supported within the confines of a department's budget.

The largest change occurred in the School Department with an increase of 78 FTEs. The increased staffing was due in part to initiatives undertaken to support under-performing schools and close the achievement gap. Additionally the department hired staff in response to greater than anticipated enrollment. Conversely, the Police Department had a decrease of 25 FTEs between January 1, 2005 and January 1, 2006. The department had more civilian vacancies than anticipated. The department has filled most of the vacant Criminalist positions as part of its plan to address longstanding issues in the fingerprint lab. However, other civilian positions, such as Cadets, Clerks and Dispatchers had more vacancies than in January 2005.

Public Works had approximately 12 fewer FTEs in January 2006, including 4 more employees out on unpaid leave than the year before. The vacancies were primarily in the street cleaning program; due mainly to the timing of hiring. The Transportation Department's increase of almost 10 FTEs over last January is the result of the timing of Parking Enforcement Officer (PEO) replacement classes. The FY05 PEO class began after January 1, 2005 and the FY06 class came on in November 2005.

**FY06-FY07 Projected FTE Changes** – The City expects the net increase in FTE levels to be approximately 498.4 from January 1, 2006 to January 1, 2007.

The Mayor's Office Cabinet is projected to increase by 15.4 FTEs. Of that increase, 4 will be the result of a new initiative in the Mayor's Office. An Urban Mechanics Fellowship Program will be created to recruit and hire four fellows from local graduate schools. The City's Recreation Director will also be transferred from Boston Centers for Youth & Families (BCYF). The Office of New Bostonians will be fully funded with General Fund revenue resulting in an increase of 4 FTEs. Other Mayoral

departments are projected to see increases as positions which were vacant on January 1, 2006 are filled.

The increase in the Chief Operating Officer's cabinet relates to filling vacant positions in the Library Department, the Management Information Services (MIS) Department and the Human Resource Department.

The increase of 4 in the FTE count for the Finance Cabinet is the result of filling vacancies in the Assessing and Auditing Departments.

The number of Public Safety employees on the payroll as of January 1 of any year fluctuates with the timing of classes and the timing of retirements. After considering the current number of filled positions, expected retirements, and the hiring of new recruits, the net increase projected for Public Safety FTEs is 207.2. This increase also takes into consideration the transfer of a number of Municipal Police Officers from the Property and Construction Management Department to Boston Police Officer positions. Both Police and Fire will be hiring two classes of new recruits during FY07. It should be noted that on April 4, 2006 the Police Department commenced a recruit class of 71. These officers are expected to be on the street by September 2006.

Education is projected to increase by 309 FTEs from January 2006 to January 2007 due to a variety of educational dynamics, including: the expansion of kindergarten opportunities for four-year olds, targeted support for low-performing schools, addressing the increasing resource needs of students with disabilities and a specific policy to restore 1% of school budgets in FY07 following the budget reductions experienced in FY04. The restoration of school based funding has resulted in a variety of positions designed to increase student academic performance and close the achievement gap, including building capacity in data management and analysis and rebuilding critical structures to support student learning.

The Public Property Cabinet is projected to have a net decrease of approximately 67 FTEs as a result of a proposed change in the operations of the security program in the Property and Construction Management Department and the anticipated transfer of a number of Municipal Police Officers

to Boston Police Department positions by January 1, 2007.

The Public Works & Transportation Cabinet, formerly called Streets, Transportation & Sanitation, is projected to have a net decrease of approximately 3 FTEs as a result of a reorganization. The renamed cabinet will have a new Office of the Chief of Public Works & Transportation that will include 20 employees formerly shown in the Public Works and Transportation Departments. The consolidation of these employees will provide a more efficient delivery of administrative, financial, technological and public information services for the departments in the cabinet. The decreases showing in the Public Works and Transportation Departments are the result of this consolidation.

The majority of the projected increase of 14.3 FTEs in the Human Services Cabinet is the result of a change in accounting for Elderly Department employees who are funded in part with external funds. The equivalent of 11 additional FTEs are now shown on the general fund budget. A portion of their salaries will be charged to external funds but it will be based on actual time spent on a particular program during each week rather than assigning a set percentage, since that percentage may change on a week to week basis. This accounting change will help to ensure compliance with all federal and state requirements. A net increase of 3.3 is expected in Boston Centers for Youth & Families (BCYF) based on current staffing levels and the filling of vacant streetworker positions.

Staffing at the Public Health Commission (PHC) is expected to increase as of January 1, 2006 by approximately 11 FTEs in order to address several areas of concern. Additional campus police will be hired to address security issues in the property area. Heating maintenance will be brought in-house in lieu of a more expensive outside contract. In addition, General Fund positions will be added in the Homeless Services Bureau, Research and Asthma Prevention & Control, and the Disparities Program.

The FTE counts in the Economic Development, Environment & Energy and Housing & Neighborhood Development cabinets as well as the Non-Mayoral group of departments are projected to remain level.

## **EXTERNAL FUNDS**

Supplementing the services that are provided by the City's \$2.1 billion operating budget is approximately \$315.6 million in external funds. These funds consist mainly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, public safety and public health are some of the largest areas for which these funds are targeted.

Twenty-one departments and agencies expect to receive federal, state or other forms of external funding in FY07. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Over 90% of the City's external funds are found in six of those twenty-one departments. These six departments are the School Department, Neighborhood Development, Office of Emergency Preparedness, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission, Boston Centers for Youth & Families and the Parks Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

### **Federal and State Grants**

Some of the larger federal grants received by the City have been a vital source of funding. In FY07, the School Department is expected to receive \$43.1 million from Title I, a grant that the City has been receiving for a number of years. This funding has supplemented education programs in schools with significant populations of low-income students. The City has also received Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities for many years. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as homeland security, community policing, housing support for the homeless, and investment in the City's Empowerment Zone.

The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is Chapter 70 educational reform aid in which the major requirement for receipt of the funds relates to a minimum general fund school budget. This funding is not included in the External Funds table as it is direct general fund



revenue. Further discussion on education aid can be found in the Revenue Chapter. State grant funding is also significant in the area of library services.

A description of the largest federal and state supported programs in the six departments managing the bulk of the City's external fund resources is given below.

#### **Neighborhood Development**

The Community Development Block Grant (CDBG) is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston designed to fund a variety of neighborhood development activities. The City (the Department of Neighborhood Development and the Fair Housing Commission) expended approximately \$27.0 million in CDBG funding in FY05, and estimates spending \$30.3 million in FY06 and \$30.0 million in FY07. The FY07 amount becomes available in July 2006. At least 70% of CDBG funds must be used to benefit low and moderate-income households. CDBG funds are used to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities, and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cuts from existing public service activities. CDBG funding is also used as a security for Section 108 loans.

Section 108 Loan Project/Economic Development Initiative - Section 108 funds are available to eligible cities from HUD on an application basis and can only be used for economic development projects. The City, through a pledge of its current and future CDBG grant awards, secures Section 108 funds. The Economic Development Initiative (EDI) Program is a special HUD program that makes available grants to cities to spur economic opportunity. This initiative also promotes community development through a long-term strategy which encompasses establishing community-based partnerships; training residents for new job opportunities; and developing a plan for responding to community needs by integrating

economic, physical, human, and other strategies. The City received two multi year grants of \$22 million each for these two programs for use within the Empowerment Zone. (Another \$3 million was reserved for social service activities in the Empowerment Zone.) The funds are used to assist new or existing smaller scale neighborhood commercial enterprises and larger scale commercial and/or industrial development projects. These funds must be used to lower the cost or lower the risk to the City on Section 108 loans made to eligible economic development projects. Spend down of these funds has been spread over the past several years.

The City received authority to use \$40 million in new Section 108 Loan Guarantee funds in FY04 for the purpose of establishing a Hotel Development Loan Fund. Of these funds, \$15.0 million was expended in FY04 and FY05 for the Westin Convention Center Hotel. The remaining funds were to be used on two other hotel projects. The hotels have since withdrawn their Section 108 authorizations but will proceed with private funding. As a result of those withdrawals no spending is being projected for FY06. In FY07 Section 108 and EDI funds will be used for two projects: the Dudley Square building site and the adjacent Modern Electroplating site. The combined funding will be used for site contamination cleanup and the redevelopment of the sites.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - HUD administers these four federally funded grants. FY06 expenditures are projected to be \$21.7 million while another \$21.1 million is expected to be used in FY07. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available in July of each year. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness or chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The



Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants; the FY07 awards will become available in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY07 funds will become available in July 2006. The City expended \$3.8 million in this program in FY05 and estimates spending \$9.7 million in FY06. Projected spending for FY07 is \$9.0 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time homebuyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations and up to five percent may be set aside for operating costs for Community Housing Development Organizations.

The American Dream Downpayment Initiative (ADDI) is a federal grant which was signed into law on December 16, 2003. This is an annual grant awarded to the City of Boston from the U.S. Department of Housing and Urban Development (HUD). It is administered as part of the HOME Investment Partnership Program (HOME). The purpose of this grant is to assist low-income families in becoming first-time homebuyers. ADDI funds may only be used for downpayment assistance toward the purchase of single family housing by low-income families, who are first time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted by ADDI is also an eligible activity under the ADDI statute. ADDI funding of \$721,800 is expected to be expended in FY06 with another 644,000 to be used in FY07.

#### **School Department**

The School Department's FY07 general fund budget of \$734.5 million is supplemented with approximately \$136.2 million in external funds, largely grants made directly to the Boston Public

Schools from state and federal government entities. There are three main categories of external funding: formula grants, competitive grants, and reimbursement grants. Title I of the No Child Left Behind Act (NCLB), the school lunch reimbursement program, and resources allocated in support of the Individuals with Disabilities Education Act (IDEA) are the three largest sources of external funding and comprise the bulk of federal support. Other significant sources of external funding include Title II (teacher quality grant), the Special Education "Circuit Breaker" reimbursement, and the Community Partnerships for Children grant.

Title I - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for this program in FY06 and FY07 of \$43.4 million and \$43.1 million, respectively.

School Lunch - The School Lunch program, administered by the U.S. Department of Agriculture, reimburses local school districts on a per-meal basis for the costs of breakfast and lunch for low-income students. The School Department expects to receive \$21 million in reimbursements for both FY06 and FY07.

Title II Teacher Quality - The School Department expects to receive \$7.1 million in FY07 from this federal formula grant program to improve the quality of staff in the classrooms, a 1% decrease from the FY06 budget of \$7.2 million.

Individuals with Disabilities Education Act (IDEA or SPED 94-142 Entitlement) - This federal formula grant supports special education programs. The amount budgeted by the School Department for FY06 and FY07 is roughly \$18.8 million each year.

Community Partnerships for Children - The Community Partnerships Program is the largest competitive grant received by the School Department. The Community Partnership Program is a state program to create comprehensive, high-quality programs for preschool-aged children in public preschools, Head Start centers, private day care centers, and family-based day care centers. The amount budgeted by the School Department,

which serves as the fiscal agent for this program, is \$9.8 million for both FY06 and FY07.

#### **Public Health Commission**

**Boston Healthy Start** - The purpose of this project is to develop a comprehensive needs assessment and carry out a service plan to address those factors most affecting infant mortality in the City of Boston. Three project areas consist of those census tracts found to have both the highest numbers of infant deaths and the highest infant mortality rates in the City. Overall, the City has experienced significant improvement in this health area. The Public Health Commission projects to receive \$1.7 million for this program in FY07.

**Ryan White Care Act** - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. Contracts support approximately 71 community agencies and 146 programs in the 10 county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$13.1 million for FY07.

**Boston STEPS** – The STEPS project is a multi-year federally and locally funded initiative to reduce the growing obesity epidemic – currently exemplified in Boston by the fact that more than 50% of our adult population is overweight. With \$1.7 million expected in FY07, its work is focused in the neighborhoods with the most elevated disease levels for illness tied to obesity. Among its many activities are: the funding of almost 60 neighborhood groups to conduct walking-related exercise efforts and the screening of school children and teenagers for weight and height in order to identify those families who might benefit from additional information and support. The grant also supports programs that are directed to specific health problems such as asthma and diabetes – with a focus on both prevention and disease management. A final component of the STEPS work is reducing tobacco use – the primary behavioral cause of death and disability among Bostonians.

**Long Island Shelter – Federal funding.** This project provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 500 homeless adult men and women. The Shelter also provides a room for families in crisis. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. Overall, projected external funding for homeless services in the Public Health Commission Budget for FY07 totals \$8.8 million.

**Public Health Preparedness** -The Commission is involved in a number of activities to insure that the residents of the City are protected and well prepared in the event of a major emergency. Among these activities are those that stem from a \$693,000 federal/state grant for a Cities Readiness Initiative (CRI). This national effort requires Boston to plan for the provision of medicine to every city resident within a 48 hour period, if needed. Other state and federally funded efforts include training EMT's, hospital clinicians and health center workers in various medical emergency protocols and procedures; developing a corps of volunteers who can be mobilized as needed and writing, translating and printing educational materials and tool kits for all populations within the City. Total external funds spending on public health preparedness is expected to be \$2.6 million in FY07.

The Public Health Commission is the recipient of a new \$2 million grant from the Kellogg Foundation. The grant will be spent over three years beginning in FY07 and will fund the Healthy Pest Free Housing Initiative, a three year pest management and asthma program conducted in collaboration with Boston Public Housing residents and the Boston Housing Authority (BHA). The Initiative includes a resident health campaign, community and organizational capacity building to sustain effective pest management practices, a public awareness campaign and dissemination of intervention tools and findings.

## External Funds

	FY05 Expenditure	FY06 Estimated	FY07 Estimated
Boston Public Schools	136,140,150	141,818,128	136,180,474
Neighborhood Development	54,951,518	65,725,212	76,645,142
Office of Emergency Preparedness	28,335,751	38,060,096	21,144,671
Public Health Commission	41,476,173	42,630,328	42,311,744
Library Department	10,360,521	10,978,363	11,287,766
Police Department	9,172,737	10,627,753	8,654,776
Other	19,677,862	19,563,189	19,372,153
	300,114,712	329,403,069	315,596,726

### Office of Emergency Preparedness

One of the objectives of the Mayor's Office of Emergency Preparedness is to allocate and manage state and federal homeland security funds obtained by the City. The majority of the Office itself is funded with an Urban Area Security Initiative (UASI) grant. This federal grant serves to address the unique equipment, planning, training and operational needs for first responders in the Boston Urban Area. Spending from UASI is expected to be \$24.6 million in FY06 and \$20.9 million in FY07. The office was also responsible for coordinating spending of up to \$50 million from a federal grant approved to cover security costs for the 2004 Democratic National Convention. The City spent approximately \$1.9 million in FY04, \$22.0 million in FY05 and expects to finalize reimbursements in FY06. Total expenditures for the DNC for all agencies is expected to be \$28.1 million once the final reimbursements are made.

### Police Department

The Police Department's grant funding on both the federal and state level has focused mostly upon community policing.

**Same Cop, Same Neighborhood** - This neighborhood policing program is based on the belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total cost of the program supported by this grant was \$3.9 million in FY05; estimated expenditures for FY06 are \$3.9 million. For FY07

the Department expects to have \$3.4 million available for this program.

**BJA Block Grants** - This federal program was awarded by the Bureau of Justice for the purpose of reducing crime and improving public safety through the purchase of police equipment, the use of police overtime, and to support community partnerships for community policing. Spending for this program was \$1.2 million in FY05. The Bureau of Justice is no longer funding the Local Law Enforcement Block Grants; the remaining balance, estimated to be \$611,402 will be depleted in FY06.

**Judicial Oversight Demonstration Initiative** - These funds, made available through the Violence Against Women Act and awarded by the U.S. Department of Justice, are being used to increase offender accountability and improve victim safety through the development and implementation of the Dorchester Domestic Violence Court. Spending from this grant was \$810,000 million in FY05 and is expected to be \$759,400 in FY06. In FY07, the Department is expected to spend the remaining funds available for this program estimated at \$81,000.

**Interoperable Communications Technology Grant** - In FY04 the City received a grant of over \$3 million to aid in the development of a region-wide interoperable communications system for critical incident command and management. This initiative involves police, fire, emergency medical services and mutual aid partner organizations. \$1.7M was spent in FY04. In FY05, \$1.2 million was spent with the balance of \$176,000 to be spent in FY06.

**Shannon Community Safety Initiative** - The department is expecting a \$3 million grant from



the Commonwealth of Massachusetts, Executive Office of Public Safety to address gang and youth violence through the Senator Charles E. Shannon, Jr. Community Safety Initiative. The award will support a number of prevention, intervention and enforcement initiatives and activities that will focus on a comprehensive citywide strategy for youth gang and gun violence.

Total projected spending for all grants in FY07 is estimated at \$8.7 million; not all grants listed have been awarded. The nature of the police grant programs has tended to be short-term funding that runs its course and serves its purpose and is then supplanted by new programs.

#### **Library Department**

Total spending from state funding for the Library was increased slightly from \$7.7 million in FY05 to an estimated \$7.9 million for FY06. In FY07 the Library expects that approximately \$8 million will be available from the state. The three state programs that relate to libraries are described below.

**Library of Last Recourse** - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining, and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personal resources, expertise, and bibliographic skills needed to develop and provide access to reference and research collections. Funding for this program is expected to be fairly level between FY06 and FY07 at approximately \$6.5 million.

**Boston Regional Library** - The Boston Regional Library System Program (BRLS) is a cooperative organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts

**Board of Library Commissioners.** Funding for this program is expected to increase slightly from \$781,600 in FY06 to approximately \$804,700 in FY07.

**State Aid to Libraries** - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant. Approximately \$627,000 is budgeted for FY06 and approximately \$676,000 is expected in FY07.

### **FY07 ALL FUNDS BUDGET**

The following table consolidates the projected FY07 expenditures from the General Fund, Special Revenue Funds (external grants for the most part) and the Capital Fund by department. More detail on the expenditures made from each of these funds is shown in Volumes II and III of the City of Boston's FY07 budget document.

#### **Budget Document Structure**

The Operating Budget for FY07 and Five Year Capital Plan for FY07-11 are presented in three volumes.

Volume I is an overview of the City's financial position and policy direction.

Volumes II and III, which are organized by cabinet, present the budget detail for each department's operating budget and capital projects. Please refer to the chapter on Budget Organization and Glossary for an illustration of the City's organizational chart.

The City's Budget is built at the program level for each department, which is the basis for budget planning. However, line item budget detail is only provided in this budget document at the department level. Program line item detail is available upon request.

In addition to program budgets, Volumes II and III provide a mission statement, key objectives, as well as past and promised performance levels for each departmental program. For those departments with capital projects, a project profile is provided for every capital project, which



includes authorization information as well as planned spending levels.

Definitions of the terms used throughout the budget document are presented in the glossary, which can be found in the chapter titled Budget Organization and Glossary.

### **Technical Note**

The City of Boston's combined FY07 Budget and FY07-FY11 Capital Plan was published using Microsoft Word 2000. Graphics were generated using Microsoft Excel 2000. Hyperion Pillar 5.5 and Microsoft Access 97 were used for data management and analysis.

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## All Funds Budgets - FY07

Cabinet	Department	Operating Budget	External Funds Budget	Capital Budget	Total All Funds Budget
Mayor's Office	Office of Emergency Preparedness	191,984	21,144,671	0	21,336,655
	Intergovernmental Relations	980,416	0	0	980,416
	Law Department	4,773,475	0	0	4,773,475
	Mayor's Office	2,151,631	88,544	0	2,240,175
	Neighborhood Services	1,181,150	0	0	1,181,150
	Office of New Bostonians	317,816	11,990	0	329,806
	Public Information	973,098	0	0	973,098
	<b>Total</b>	<b>10,569,570</b>	<b>21,245,205</b>	<b>0</b>	<b>31,814,775</b>
Chief Operating Officer	Chief Operating Officer	885,069	0	0	885,069
	Graphic Arts Department	1,506,735	0	0	1,506,735
	Health Insurance	168,525,434	0	0	168,525,434
	Human Resources	2,841,802	0	0	2,841,802
	Labor Relations	1,284,099	0	0	1,284,099
	Library Department	28,448,473	11,287,766	2,170,000	41,906,239
	Management & Information Svcs	16,210,861	0	2,071,500	18,282,361
	Registry Division	865,827	0	0	865,827
	Unemployment Compensation	50,000	0	0	50,000
	Workers' Compensation Fund	2,200,000	0	0	2,200,000
	<b>Total</b>	<b>222,818,300</b>	<b>11,287,766</b>	<b>4,241,500</b>	<b>238,347,566</b>
Chief Financial Officer	Assessing Department	6,141,699	0	0	6,141,699
	Auditing Department	2,133,244	0	0	2,133,244
	Budget Management	2,534,382	0	0	2,534,382
	Execution of Courts	3,500,000	0	0	3,500,000
	Medicare Payments	4,926,000	0	0	4,926,000
	Pensions & Annuities	4,700,000	0	0	4,700,000
	Purchasing Division	1,361,684	0	0	1,361,684
	Treasury Department	3,724,389	0	0	3,724,389
	<b>Total</b>	<b>29,021,398</b>	<b>0</b>	<b>0</b>	<b>29,021,398</b>
Public Safety	Fire Department	153,780,312	1,211,872	2,716,000	157,708,184
	Police Department	252,164,016	8,654,776	9,169,000	269,987,792
	<b>Total</b>	<b>405,944,328</b>	<b>9,866,648</b>	<b>11,885,000</b>	<b>427,695,976</b>
Education	Boston Public Schools	734,500,000	136,180,474	37,774,290	908,454,764
	<b>Total</b>	<b>734,500,000</b>	<b>136,180,474</b>	<b>37,774,290</b>	<b>908,454,764</b>
Economic Development	Boston Redevelopment Authority	0	0	200,000	200,000
	Boston Residents Job Policy	495,141	0	0	495,141
	Small/Local Business	584,950	0	0	584,950
	<b>Total</b>	<b>1,080,091</b>	<b>0</b>	<b>200,000</b>	<b>1,280,091</b>
Public Property	Arts, Tourism & Special Events	1,625,466	130,080	0	1,755,546
	Consumer Affairs & Licensing	442,357	51,300	0	493,657
	Election Department	2,607,646	0	0	2,607,646
	Parks & Recreation Department	14,679,331	5,015,000	13,368,025	33,062,356
	Property & Construction Mgmt.	21,921,559	162,927	14,343,008	36,427,494
	<b>Total</b>	<b>41,276,359</b>	<b>5,359,307</b>	<b>27,711,033</b>	<b>74,346,699</b>
Public Works & Transportation	Chief of Public Works & Transportation	1,545,434	0	0	1,545,434
	Central Fleet Maintenance	2,183,190	0	0	2,183,190
	Public Works Department	85,940,100	0	33,949,864	119,889,964
	Snow Removal	12,241,753	0	0	12,241,753
	Transportation Department	27,046,407	933,465	843,236	28,823,108
	<b>Total</b>	<b>128,956,884</b>	<b>933,465</b>	<b>34,793,100</b>	<b>164,683,449</b>
Environment & Energy	Environment Department	1,315,787	372,896	100,000	1,788,683
	Inspectional Services Dept	14,456,704	47,055	0	14,503,759
	<b>Total</b>	<b>15,772,491</b>	<b>419,951</b>	<b>100,000</b>	<b>16,292,442</b>
Human Services	Boston Centers for Youth & Families	19,198,292	3,073,896	13,579,390	35,851,578
	Civil Rights	305,091	730,197	0	1,035,288
	Elderly Commission	2,676,851	6,284,166	0	8,961,017
	Emergency Shelter Commission	535,920	10,875	0	546,795
	Veterans Services Department	3,783,376	0	0	3,783,376
	Women's Commission	150,643	0	0	150,643
	Youth Fund	3,806,648	1,200,000	0	5,006,648
	<b>Total</b>	<b>30,456,821</b>	<b>11,299,134</b>	<b>13,579,390</b>	<b>55,335,345</b>
Neighborhood Development	Leading the Way	4,331,000	0	0	4,331,000
	Neighborhood Development	3,014,962	76,645,142	4,250,000	83,910,104
	<b>Total</b>	<b>7,345,962</b>	<b>76,645,142</b>	<b>4,250,000</b>	<b>88,241,104</b>
Public Health	Public Health Commission	63,571,000	42,311,744	429,000	106,311,744
	<b>Total</b>	<b>63,571,000</b>	<b>42,311,744</b>	<b>429,000</b>	<b>106,311,744</b>
Non-Mayoral Departments	City Clerk	883,183	47,890	0	931,073
	City Council	4,221,824	0	0	4,221,824
	Finance Commission	183,588	0	0	183,588
	Licensing Board	592,727	0	0	592,727
	<b>Total</b>	<b>5,881,322</b>	<b>47,890</b>	<b>0</b>	<b>5,929,212</b>
<b>Grand Total</b>		<b>1,697,194,526</b>	<b>315,596,726</b>	<b>134,963,313</b>	<b>2,147,754,565</b>

## FY07 - FY08 BUDGET PLAN

### Introduction

While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, a second year projection provides a useful context for decision making.

In projecting the City's operating budget for FY08, the issue of state aid stands out as the most critical. While the state has recently begun its delayed economic recovery and tax revenues are beginning to grow, there is mounting pressure for restoration of state programs of all types – including aid to municipalities. In addition, calls for further income tax cuts are re-emerging even while the state still likely has a small structural deficit. These competing factors make an accurate estimation of state aid growth in FY08 difficult.

The budget for FY07 is based on the most current revenue information available. The FY08 plan reflects the best estimate of revenues as well as the major components of projected expenditures given current policy and cost trends. However, it should be noted that the FY08 budget as currently shown in the Budget Summary table does not fully illustrate the fiscal challenges that face the City. There are two specific areas that are of concern.

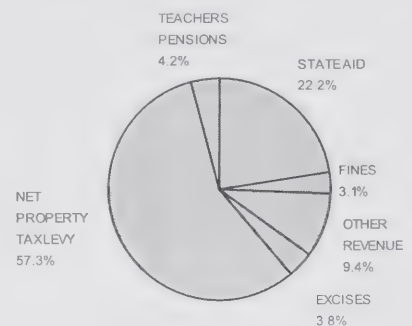
In the area of personnel expenditures, a collective bargaining reserve was not established for FY07. All but a few of the city's collective bargaining agreements expired at the end of FY06 or shortly thereafter. Due to the large share of appropriations that is allocated to salaries, contract settlements have a material impact on the total operating budget. The impact of a one percent increase for all employees is currently estimated at \$11-12 million. A collective bargaining reserve is also not included in this presentation for FY08.

The second area of concern is the unfunded liability related to post-employment benefits. Beginning in FY08, the City will be required to implement the provisions of GASB Statement No. 45. The Statement establishes standards for the measurement, recognition and display of Other Post-employment Benefits (OPEB). The City currently provides post-employment healthcare and life insurance benefits to eligible retirees in accordance with state law and pays its share of the

cost on a pay-as-you go basis. The City has begun the process of determining its unfunded actuarial accrued liability with respect to future OPEB benefits. The City faces the challenge of beginning to address the funding needs of this liability while continuing to balance all of the other costs of running a major city.

### Revenue Trends

The following pie chart displays the breakdown of revenue projected for FY08. (Figure 10.)



**FY08 Estimated Recurring Revenue**

**Figure 10**

Major revenue trends for FY08 include:

**Property Tax Levy:** The 2.5% increase and a projected \$20.0 million of new growth will result in \$51.5 million or 4.1% in additional gross tax levy. The net property tax assumes an overlay reserve set at 3.5%.

**Excises:** Hotel and jet fuel excises are expected to increase, reflecting steady business and leisure travel associated with a recovered local economy and higher fuel prices. Motor vehicle excise is expected to grow modestly with motor vehicle sales.

**Fines:** Fines overall are expected to grow slightly as recent fine increases, implemented in FY06 fully filter through collections and small adjustments to fine rates are made.

**Interest on Investments:** Interest income is expected to increase as short-term interest rates continue to rise with an accelerating economy yielding better returns for the City's short-term investments.

**Payments in Lieu of Taxes:** With no major new agreements expected, PILOT revenue should increase 3.2%. This increase essentially captures the inflation in the current agreements.

**Chapter 121A:** Increases in payments are expected to total \$2.1 million or 3.7% based on recent trends.

**Miscellaneous Department Revenue:** Projected from historical trends and economic assumptions, these revenues are expected to increase 2.7%.

**Licenses and Permits:** Building permits will likely slow somewhat with interest rate increases at first and then stabilize, this along with increasing employment and business activity, the City expects slightly better than inflationary growth in Licenses and Permits in FY08.

**Penalties & Interest:** Projected to increase in FY08 mainly as a result of property value increases ; the property tax collection rate is expected to remain strong.

**Available Funds:** No substantial increase from FY07 is expected in FY08.

**State Aid:** Projected to increase marginally from the FY07 Budget. State Aid growth will be slow until the state commits to funding local aid adequately through higher appropriations, improved distribution formulas, or both.

**Teachers' Pension Reimbursement:** An increase of \$7.3 million is expected in FY08 from this reasonably predictable reimbursement arrangement with the state.

**Non-Recurring Revenues:** For FY08, \$1.0 million will be applied to the risk retention reserve through a transfer from the surplus property fund.

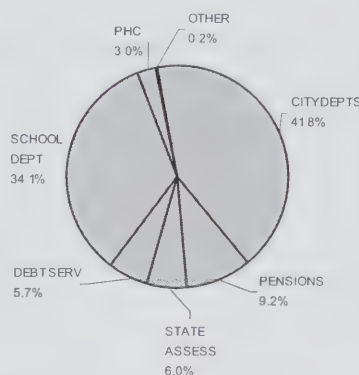
**Budgetary Fund Balance:** In FY07, the City is using an allocation of reserves to support ongoing expenses. For FY08, the use of Budgetary Fund Balance has not been factored into the financial projection. The City's planning process for FY08 will assess the need for further allocation of remaining City reserves.

Total recurring revenues in FY08 are projected to increase by \$83.7 million, or 3.9 % over FY07 Budget projections. This increase is based on conservative revenue estimates and an assumption that the local economy will continue its return to a

reasonable level of growth in the 24 months from the beginning of FY07 to the end of FY08.

## Expenditure Trends

The following pie chart displays the allocation of expenditures projected for FY08. (Figure 11.)



**FY08 Estimated Expenditures**

**Figure 11**

Based on inflationary increases estimated for certain expenditures within departments such as utilities, health insurance and trash collection and disposal, as well as current collective bargaining provisions that impact FY08, the total increase in appropriations is expected to be, \$48.2 million, or 2.8% in FY08.

**Fixed Costs:** Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY08 fixed costs will increase by \$26.5 million or 6.0%, led by an \$11.7 million or 6.1% increase in pension costs and an \$8.2 million or 6.6% increase in State Assessments. Debt Service will increase by \$6.5 million or 5.4%.

Under these revenue and expenditure trend assumptions, the City's Operating Budget would have a projected deficit of \$3.4 million. As the FY08 budget process goes forward and projections are further refined, the City will be looking at ways to operate more efficiently within the confines of projected revenues. During the current year, hiring must continue to be controlled as the bulk of the increase in appropriations is employee related. New collective bargaining agreements will have to be negotiated within revenue



restraints. The impact of an employee's total compensation, including Health Insurance and other benefits, not wages on their own, must be considered. Looking ahead the City is currently analyzing ways to mitigate the impacts of annual double digit increases in the cost to provide health insurance to its employees and retirees.

As noted previously, a decision will also need to be made on the level of budgetary fund balance that may be utilized prudently. The City's fund balance policy has been to limit the use of this source of revenue to offsetting certain fixed costs such as pension contributions and related post retirement health benefits and/or to fund extraordinary and non-recurring events as determined and certified by the City Auditor.

### **Planning a Balanced Budget**

Preparing a two-year planning horizon is useful because it provides time to make adjustments to relieve the cost pressures on certain services. It also promotes cost-saving or new programming alternatives to improve the financial position projected in the second year, and helps us to monitor changes in assumptions as new needs or innovations present themselves.

Much of the City's budget remains fairly stable during the year, but variances of as little as 1% overall could add up to a \$20 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, which the City attempts to reserve for but may need to absorb on a pay-as-you go basis; public safety overtime, particularly if a significant event occurs (acts of terrorism or natural disasters, for example), and outside funding sources for a essential needs that may suddenly be eliminated.

It is important to note that the City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through the Office of Budget Management and the Chief Operating Officer's Office ensures that the hiring of personnel is justified and fits within the City's fiscal parameters. In addition, the City's financial and human resources information system (BAIS) provides levels of systematic controls that can be used to project and plan for personnel funding requirements.

### **Conclusion**

This two-year overview is provided as a guide to understand the impacts of the decisions presented in the budget, and to provide a framework for addressing future challenges and initiatives. Although it is not statutorily required, it is a useful tool in long-range planning and policy analysis.

From a budget planning and management standpoint, the parameters summarized here are being built through an interactive forecast model. This approach allows for the development of multi-year scenarios based on various assumptions for City operations set within the financial constraints of the City's revenue and fixed cost budgets.

# CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY07 Budget	FY08 Projected
<b>REVENUES</b>		
Property Tax Levy	1,260.81	1,312.71
Overlay Reserve	(42.64)	(44.39)
Excises	78.65	83.55
Fines	67.79	68.71
Interest on Investments	24.00	29.00
Payments In Lieu of Taxes	25.84	26.66
Urban Redevelopment Chapter 121	56.30	58.36
Misc. Department Revenue	38.22	39.26
Licenses and Permits	31.62	32.76
Penalties & Interest	8.61	8.88
Available Funds	12.22	12.31
State Aid	482.21	492.18
Teachers Pension Reimbursement	85.16	92.50
Total Recurring Revenue	2,128.80	2,212.47
Non-Recurring Revenue	5.33	1.00
Budgetary Fund Balance	8.00	0.00
<b>Total Revenues</b>	<b>2,142.13</b>	<b>2,213.47</b>
<b>EXPENDITURES</b>		
City Departments	901.70	925.76
Public Health Commission	63.57	65.42
School Department	734.50	756.82
Reserve for Collective Bargaining	0.00	0.00
Total Appropriations	1,699.77	1,748.00
Pensions	192.92	204.60
Debt Service	119.64	126.15
State Assessments	125.14	133.35
Suffolk County Sheriff	4.66	4.78
Reserve	0.00	0.00
Total Fixed Costs	442.35	468.88
<b>Total Expenditures</b>	<b>2,142.13</b>	<b>2,216.88</b>
<b>Surplus (Deficit)</b>	<b>0.00</b>	<b>(3.41)</b>

Numbers may not add due to rounding



## City Council Orders





# City Council Orders Filed by the Mayor

## Operating Budget Orders:

- Appropriation and Tax Order for the Fiscal Year 2007
- Appropriation Order for the Boston Public Schools for Fiscal Year 2007

## Capital Plan Orders:

- Seven loan orders authorized under the provisions of Section 7 of Chapter 44 of the General Laws:
  1. Clause (3) Public Building Construction – Fire and Police Depts.
  2. Clauses (3), (3A) Public Building Construction and Remodeling and Repairs – School Dept.
  3. Clauses (3A), (9) Remodeling and Repair and Departmental Equipment – Fire, Library and Police Depts.
  4. Clauses (3), (3A), (9), (20), (25) Public Building Construction, Remodeling and Repair, Departmental Equipment, Historic Cemetery Repairs and Athletic Facility Improvements – Parks and Recreation and School Depts.
  5. Clause (4) Bridge Construction/Reconstruction – Public Works Dept.
  6. Clauses (5), (6), (14), (22) Public Ways and Sidewalk Construction/Reconstruction, Street Lighting/Public Lighting Installation, Engineering and Architectural Services - Public Works and Transportation Depts.
  7. Clauses (9), (9A) Equipment - Fire and Parks and Recreation Depts.
- One loan order authorized under the combined provisions of Section 7 and Section 8 of Chapter 44 of the General Laws,
  1. Clause (3A) (25) of Section 7 and Clause (5) of Section 8 Remodeling and Repairs, Community Center/Athletic Facilities Improvements, Water Mains/Laying-ReLaying – Boston Center for Youth & Families, Property and Construction Management and Public Health Commission Depts.
- One loan order authorized under the provisions of Chapter 642 of the Acts of 1966, as amended:
  1. C642 s7C Act of 1996 Street Tree Planting – Parks and Recreation Dept.
- One order authorizing an expenditure from the Surplus Property Disposition Fund for Capital Purposes – Property and Construction Management and Boston Redevelopment Authority.

## Lease Purchase Agreement Order



**CITY OF BOSTON**  
**IN CITY COUNCIL**

**Appropriation and Tax Order for the fiscal year  
Commencing July 1, 2006 and ending June 30, 2007**

**ORDERED:**

I. That to meet the current expenses of the City of Boston, in the fiscal year commencing July 1, 2006 and ending June 30, 2007, the respective sums of money specified in the schedules hereinafter set out, be, and the same hereby are, appropriated for expenditure under the direction of the respective boards and officers severally specified, for the several specific purposes hereinafter designated and, except for transfers lawfully made, for such purposes only said appropriations, to the extent they are for the maintenance and operation of parking meters, and the regulation of parking and other activities incident thereto (which is hereby determined to be \$10,000,000), being made out of the income from parking meters and, to the extent they are for other purposes, being made out of the proceeds from the sale of tax title possessions and receipts from tax title redemptions in addition to the total real and personal property taxes of prior years collected from July 1, 2005 up to and including March 31, 2006, as certified by the City Auditor under Section 23 of Chapter 59 of the General Laws, and out of available funds on hand, (which is hereby determined to be \$8,000,000) as certified by the Director of Accounts under said Section 23, and the proceeds from the sale of surplus property to be transferred in an amount not to exceed \$5,331,000 pursuant to the provisions of Section 24 of Chapter 190 of the Acts of 1982 as amended by Section 4 of Chapter 701 of the Acts of 1986, and the balance of said appropriations to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

In City Council on June 28, 2006.

Approved by the Mayor on July 5, 2006.

Attest:

*Rosaria Salerno*

City Clerk





## CITY DEPARTMENTS

## Mayor's Office

	Personnel Services	Contractual Services	Supplies & Materials	Current Charges & Obligations	Equipment	Special Appropriation	Structures & Improvements	Land Non-Structural Improvement	Total
111 Mayor's Office	1,945,075	153,127	37,800	10,606	5,023	0	0	0	2,151,631
113 Office of New Bostonians	290,266	20,750	6,600	200	0	0	0	0	317,816
150 Intergovernmental Relations	631,492	179,885	9,000	160,039	0	0	0	0	980,416
151 Law Department	3,213,653	1,398,122	27,200	122,500	12,000	0	0	0	4,773,475
231 Office of Emergency Preparedness	191,984	0	0	0	0	0	0	0	191,984
411 Public Information	942,192	11,800	12,300	6,806	0	0	0	0	973,098
412 Neighborhood Services	1,090,227	57,120	28,000	800	5,003	0	0	0	1,181,150
<b>Chief Operating Officer</b>									
110 Library Department	18,678,865	7,003,405	2,421,732	207,215	112,256	25,000	0	0	28,448,473
142 Human Resources	2,661,206	68,395	24,949	85,451	1,801	0	0	0	2,841,802
144 Chief Operating Officer	810,419	67,900	1,750	500	4,500	0	0	0	885,069
145 Graphic Arts Department	1,219,551	218,004	10,000	4,170	0	55,000	0	0	1,506,735
147 Labor Relations	810,099	437,800	6,300	29,900	0	0	0	0	1,284,099
148 Health Insurance	0	0	0	168,525,434	0	0	0	0	168,525,434
149 Management & Information Services	8,335,542	2,567,540	117,295	4,828,141	362,343	0	0	0	16,210,861
163 Registry Division	789,327	64,700	10,750	1,050	0	0	0	0	865,827
199 Unemployment Compensation	50,000	0	0	0	0	0	0	0	50,000
341 Workers' Compensation Fund	0	0	0	0	0	2,200,000	0	0	2,200,000

## Chief Financial Officer

131 Auditing Department	2,007,154	97,724	13,900	6,450	8,016	0	0	0	2,133,244
136 Assessing Department	5,293,046	659,300	64,000	108,200	17,153	0	0	0	6,141,699
137,138 Treasury Department	2,990,609	222,230	497,900	12,650	0	1,000	0	0	3,724,389
139 Medicare Payments	4,926,000	0	0	0	0	0	0	0	4,926,000
141 Budget Management	1,494,959	880,142	6,600	142,800	9,881	0	0	0	2,534,382
143 Purchasing Division	1,186,809	66,037	11,732	2,627	88,479	6,000	0	0	1,361,684
333 Execution of Courts	0	0	0	0	0	3,500,000	0	0	3,500,000
374 Pensions & Annuities - City	4,600,000	0	0	0	0	0	0	0	4,600,000
749 Pensions & Annuities - County	100,000	0	0	0	0	0	0	0	100,000

## Public Safety

211 Police Department	222,276,499	12,749,218	7,921,823	3,938,999	5,277,477	0	0	0	252,164,016
221 Fire Department	142,108,101	4,890,623	3,083,300	2,520,655	1,177,634	0	0	0	153,780,313

## Economic Development

156 Small/Local Business	550,781	27,469	5,200	1,500	0	0	0	0	584,950
157 Boston Residents Job Policy	488,215	4,788	1,888	250	0	0	0	0	495,141

## Public Property

416 Arts, Tourism & Special Events	1,032,183	329,584	16,800	4,974	0	241,925	0	0	1,625,466
114 Consumer Affairs & Licensing	410,057	20,500	10,000	1,800	0	0	0	0	442,357
121,128 Election Department	1,965,391	245,750	280,500	68,550	47,454	0	0	0	2,607,645
180 Property & Construction Mgmt	12,550,495	8,443,835	635,037	83,948	208,244	0	0	0	21,921,559
300 Parks & Recreation Department	7,521,856	2,729,027	634,500	354,159	87,289	632,000	500,000	0	12,458,831



CITY DEPARTMENTS										Total	
	Personnel Services	Contractual Services	Supplies & Materials	Current Charges & Obligations	Equipment	Special Appropriation	Structures & Improvements	Land Non-Structural Improvement			
<b>Public Works &amp; Transportation</b>											
251,253 Transportation Department	17,570,389	7,870,169	1,117,200	138,135	350,514	0	0	0		27,046,407	
310 Chief of Public Works & Transportation	1,507,934	22,500	15,000	0	0	0	0	0		1,545,434	
311 Public Works Department	18,187,654	65,612,825	1,092,300	366,704	430,617	250,000	0	0		85,940,100	
321 Central Fleet Maintenance	1,699,106	191,900	245,900	15,000	31,284	0	0	0		2,183,190	
331 Snow Removal	0	11,997,275	0	0	244,478	0	0	0		12,241,753	
<b>Environment and Energy</b>											
260 Inspectional Services Dept	12,211,721	1,183,673	170,130	775,533	115,647	0	0	0		14,456,704	
303 Environment Department	1,106,816	189,345	15,000	695	3,931	0	0	0		1,315,787	
<b>Human Services</b>											
385 Boston Centers for Youth & Families	15,786,110	3,247,014	93,680	41,988	29,500	0	0	0		19,198,292	
387 Elderly Commission	2,391,826	193,403	85,276	6,346	0	0	0	0		2,676,851	
403 Civil Rights	270,891	29,200	5,000	0	0	0	0	0		305,091	
406 Emergency Shelter Commission	238,695	293,966	2,259	1,000	0	0	0	0		535,920	
417 Women's Commission	147,224	2,594	825	0	0	0	0	0		150,643	
448 Youth Fund	204,724	18,600	55,500	5,500	8,000	3,514,324	0	0		3,806,648	
741 Veterans Services Department	856,708	93,481	23,861	2,805,546	3,780	0	0	0		3,783,376	
<b>Public Health</b>											
620 Public Health Commission	0	0	0	0	0	63,571,000	0	0		63,571,000	
<b>Housing &amp; Neighborhood Development</b>											
188 Neighborhood Development	1,937,846	984,785	53,910	34,721	3,700	0	0	0		3,014,962	
189 Affordable Housing-Leading the Way	0	4,331,000	0	0	0	0	0	0		4,331,000	
<b>Non-Mayoral Departments</b>											
112 City Council	3,865,124	203,000	60,000	46,200	47,500	0	0	0		4,221,824	
161 City Clerk	789,983	79,150	9,000	5,050	0	0	0	0		883,183	
193 Finance Commission	175,188	5,450	575	1,675	700	0	0	0		183,588	
252 Licensing Board	526,577	45,550	8,900	11,700	0	0	0	0		592,727	
<b>Other</b>											
158 Risk Retention Reserve	0	0	0	0	0	1,000,000	0	0		1,000,000	
159 Housing Trust Fund	0	0	0	0	0	330,000	0	0		330,000	
<b>TOTAL</b>	<b>532,636,579</b>	<b>140,209,655</b>	<b>18,951,172</b>	<b>185,486,167</b>	<b>8,694,204</b>	<b>75,326,249</b>	<b>500,000</b>	<b>0</b>		<b>951,804,026</b>	





**CITY OF BOSTON  
IN CITY COUNCIL**

**FURTHER ORDERED:**

II. That to meet so much of the expenses of maintaining, improving and embellishing in the fiscal period commencing July 1, 2006 and ending June 30, 2007, cemeteries owned by the City of Boston, or in its charge, as is not met by the income of deposits for perpetual care on hand December 31, 2005, the respective sum of money specified in the subjoined schedule be, and the same hereby is, appropriated out of the fund set up under Chapter 13 of the Acts of 1961 the same to be expended under the direction of the Commissioner of Parks and Recreation:

400100

Cemetery Division  
Parks and Recreation Department  
\$2,220,500

**I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.**



**WILLIAM F. SINNOTT  
CORPORATION COUNSEL**







CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

June 20, 2006

TO THE CITY COUNCIL

Dear Councilors:

I retransmit herewith an appropriation order for the Boston Public Schools for Fiscal Year 2007, in the amount of \$734.5 million, submitted pursuant to the provisions of Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991.

This budget represents an increase of \$21.8 million over the FY2006 appropriation of \$712.7 million. Although much of this increase will fund rising health insurance and energy costs, the School Department has also allocated additional resources to promising instructional initiatives that will help our students succeed.

With this budget, the Boston Public Schools community continues its efforts to improve teaching and learning in each and every classroom to enable all students to meet high standards. In FY07, the Boston Public Schools will continue to expand full-day Kindergarten programs for four-year-olds and provide more robust support for English Language Learners. Students and teachers in a cohort of schools will benefit from the adoption of instructional materials, curricular guidance, and aligned professional development in English/Language Arts and literacy. The Boston Public Schools will maintain reductions in class size that have been implemented in the past several years. This budget provides resources for two additional Family and Community Outreach Coordinators. The Boston Public Schools' budget also adds funding at the individual school level where reductions had been made in prior years.

Despite the pressures of rising fixed costs, the School Department has submitted a financial plan that will enable the Boston Public Schools community to continue making progress in improving teaching and learning and closing the achievement gap.

I respectfully request your support of the FY07 appropriation for the Boston Public Schools.

Sincerely,

Thomas M. Menino  
Mayor of Boston





**CITY OF BOSTON  
IN CITY COUNCIL**

ORDERED: That pursuant to Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, and as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991, to meet the current operating expenses of the School Department in the fiscal period commencing July 1, 2006 and ending June 30, 2007, the sum of SEVEN HUNDRED THIRTY FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$734,500,000) be, and the same hereby is, appropriated, said sum to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

Boston School Department      \$734,500,000

In City Council on June 28, 2006.  
Approved by the Mayor on July 5, 2006.

Attest:

A handwritten signature in cursive script, appearing to read "Rosanna Salerno".

City Clerk



# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10540  
Program: 1006  
Docket: 0514

**ORDERED:** That the sum of Twelve Million Eight Hundred Thirty Five Thousand Dollars (\$12,835,000) be, and hereby is, appropriated for acquiring land, or interests in land, for any purpose for which the City is or may hereafter be authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment, and furnishings of said buildings for the purposes of the Fire and Police Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (3) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

Rosaria Salerno  
City Clerk

SubClass: 10540

FY07 Capital Council Order Attachment

1. Fire Academy Training Simulator
2. Charlestown Police Station



**CITY OF BOSTON**  
**IN CITY COUNCIL**

SubClass: 10541  
Program: 1006, 1007  
Docket: 0509

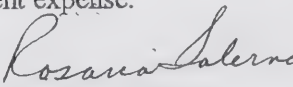
**ORDERED:** That the sum of Thirty Three Million Eight Hundred Ten Thousand Dollars (\$33,810,000) be, and hereby is, appropriated for acquiring land, or interests in land, for any purpose for which the City is, or may hereafter be, authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment and furnishings of said buildings, and/or for remodeling, reconstructing, or making extraordinary repairs to public buildings owned by the City, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for the purposes of the School Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (3) and/or (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

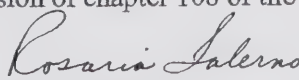
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. ACC / BCLA Accreditation
2. Bates School Exterior Renovations
3. Boston Arts Academy HVAC
4. Burke High School
5. Cleveland School Phase I
6. Condon School
7. Dearborn School Plumbing
8. Fire Alarm Replacement at Various Schools II
9. Gardner School Electrical
10. Hemenway School
11. Lee School Windows
12. Madison Park Accreditation
13. Masonry Repairs at Various Schools
14. McKay School Phase I
15. McKay School Phase IA
16. McKinley School at St. Mary Street
17. Roof Replacement at Various Schools
18. Russett Road Renovation
19. Snowden International High School Accreditation
20. West Roxbury Education Complex HVAC
21. West Roxbury Education Complex Science Room
22. Window Balances At 14 Schools

# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10542  
Program: 1007, 1014  
Docket: 0512

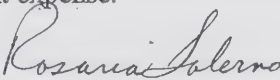
**ORDERED:** That the sum of Ten Million Thirty Thousand Dollars (\$10,030,000) be, and hereby is, appropriated for remodeling, reconstructing, or making extraordinary repairs to public buildings owned by the City, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, and for the acquisition of departmental equipment, for the purposes of the Fire, Library and Police Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (3A) and/or (9) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

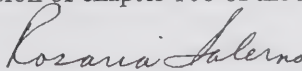
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. Critical Facility Repairs FY07
2. Engine 16
3. Engine 41
4. Slab Replacement at Eng 9, 10 and 17
5. Slab Shoring & Sealant Phase I
6. Critical Facility Repairs FY07
7. Area A-1 Station
8. Area D-14 Station
9. Critical Facility Repairs FY05-FY07
10. Fuel Tank Upgrade



# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10543  
Program: 1006, 1007,  
1014, 1025,  
1029  
Docket: 0516

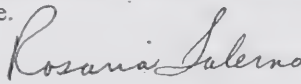
**ORDERED:** That the sum of Nine Million Three Hundred Ninety Thousand Dollars (\$9,390,000) be, and hereby is, appropriated for acquiring land, or interests in land, for any purpose for which the City is, or may hereafter be, authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment and furnishings of said buildings, for remodeling, reconstructing or making extraordinary repairs including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for the acquisition of departmental equipment, for developing land for burial purposes and for constructing paths and avenues and embellishing the grounds in city-owned cemeteries, and for the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purposes of the Parks and Recreation and School Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (3), (3A), (9), (20) and/or (25) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

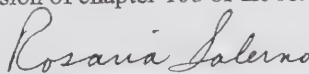
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. Ballfield Improvements
2. Brighton Square Park
3. Bryne Playground
4. Carter Playground
5. Ceylon Park
6. Clarendon Street Playground
7. Dorothy Curran Playlot
8. East Boston Stadium
9. Franklin Park
10. General Parks Improvements FY07
11. George Wright Golf Course III
12. Highland Park
13. Historic Cemeteries FY07
14. Muddy River Phase II
15. Noyes Playground
16. Phillips Street Park
17. Playlots
18. Rock Climbing Program
19. Ryan Playground
20. South Street Mall
21. Union Street Playground
22. William Devine Golf Course FY07
23. School Yard Improvements

# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10545

Program: 1009

Docket: 0515

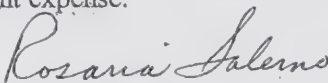
**ORDERED:** That the sum of One Million Ten Thousand Dollars (\$1,010,000) be, and hereby is, appropriated for the construction or reconstruction of bridges of stone or concrete or of iron superstructure for the purposes of the Public Works Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (4) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

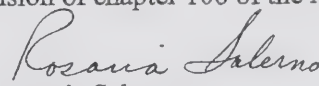
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

SubClass: 10545

FY07 Capital Council Order Attachment

1. Alford Street Bridge
2. Bridge Repairs FY07



# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10546  
Program: 1010, 1011,  
1019, 1027  
Docket: 0510

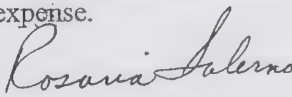
**ORDERED:** That the sum of Twenty Four Million Nine Hundred Forty Five Thousand Dollars (\$24,945,000) be, and hereby is, appropriated for the original construction of public ways or the extension or widening thereof, including land damages and the cost of pavement and sidewalks laid at the time of said construction, or for the construction of stone, block, brick, cement concrete, bituminous concrete, bituminous macadam or other permanent pavement of similar lasting character, for the construction of sidewalks of brick, bituminous concrete, stone or concrete, for traffic signal, or public lighting installations, fire alarm or police communication installations and for the purpose of extending and improving such installations, and/or for the cost of engineering or architectural services for plans and specifications for the purposes of the Public Works and Transportation Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (5), (6), (14) and/or (22) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

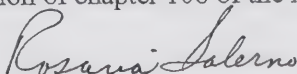
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. ADA/ AAB Pedestrian Ramps FY 2007
2. Beacon Street Phase II
3. Bennington Street
4. Cambridge Street
5. Citywalks
6. Downtown Crossing
7. Four Corners
8. Franklin Hill Roadways
9. Peabody Square
10. Roadway Reconstruction FY2008
11. Scollay Square
12. Street Lighting Installation FY2007
13. Traffic Signal Equipment FY05-07

# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10547  
Program: 1014, 1015  
Docket: 0513

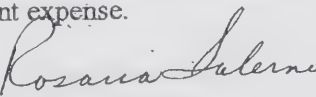
**ORDERED:** That the sum of One Million Five Hundred Sixty Five Thousand Dollars (\$1,565,000) be, and hereby is, appropriated for the acquisition of departmental equipment, and for the remodeling, reconstruction or rehabilitation of existing firefighting apparatus and heavy equipment for the purposes of the Fire and Parks and Recreation Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (9) and/or (9A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

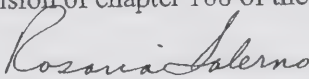
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

SubClass: 10547

FY07 Capital Council Order Attachment

1. Fire Equipment FY07
2. Park Equipment



# CITY OF BOSTON

## IN CITY COUNCIL

SubClass: 10544

Program: 1007, 1029, 1042

Docket: 0511

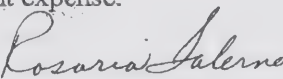
**ORDERED:** That the sum of Twenty One Million Four Hundred Ninety Five Thousand Dollars (\$21,495,000) be, and hereby is, appropriated for remodeling, reconstructing or making extraordinary repairs including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, and for the laying and relaying of water mains of not less than six inches but less than sixteen inches in diameter for the purposes of the Boston Center for Youth and Families, Property and Construction Management, and Public Health Commission Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clauses (3A) and/or (25) of Section 7 and/or Clause (5) of Section 8 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those project(s) as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

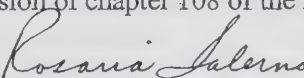
Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

I hereby certify that no petition, asking the question of approving or disapproving the foregoing order be submitted to the voters, was filed with the City Clerk within Twenty days from July 3, 2006, and the order therefore become effective on July 24, 2006, in accordance with the provision of chapter 108 of the Acts of 1939.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. Curley Community Center
2. Curtis Hall Community Center Renovations
3. Elevator Improvements at Various BCYF Facilities
4. Gallivan Community Center
5. Gym Floor Replacements at Various Facilities
6. Hyde Park Community Center Interior
7. Paris Street Community Center Masonry
8. Paris Street Community Center Roof
9. Pool Repairs
10. Roof Replacement at Various Facilities
11. Roslindale Community Center
12. Shelburne Community Center
13. Animal Shelter
14. City Hall Energy Efficiency
15. City Hall Garage And Loading Dock
16. City Hall North Water Main
17. Critical Facility Repairs FY07
18. Family Justice Center
19. Faneuil Hall Roof
20. Critical Facility Repairs FY07

**CITY OF BOSTON**  
**IN CITY COUNCIL**

Subclass: 10548  
Program: 1070  
Docket: 0517


**ORDERED:** That the sum of Three Hundred Five Thousand Dollars (\$305,000) be, and hereby is, appropriated for the purposes of planting shade trees, planning, designing, acquiring land for, constructing and originally equipping structures and facilities it is authorized to construct, and for remodeling, reconstructing, or making major alterations, additions and repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for the purposes of the Parks and Recreation Department, and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on the project as described by name attached herein.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk

FY07 Capital Council Order Attachment

1. Street Tree Planting FY07



# CITY OF BOSTON

## IN CITY COUNCIL

Subclass: 10549 (301 Fund)  
Surplus Property Disposition Fund  
Dudley Square Office Project  
Docket: 0519

**ORDERED:** That, in accordance with section 24 of Chapter 190 of the Acts of 1982, as amended by section 4 of Chapter 701 of the Acts of 1986, the amount of Eight Million Dollars (\$8,000,000) from the Surplus Property Disposition Fund be, and hereby is, credited to the Capital Fund of the City and not to the General Fund; and be it

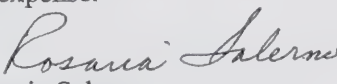
**FURTHER ORDERED:** That said Eight Million Dollars (\$8,000,000) be, and hereby is, appropriated from the Capital Fund for the Dudley Square Office project for the purpose of acquiring land, or interests in land, for any purpose for which the City is, or may hereafter be, authorized to acquire land or interests therein; and for the construction of buildings, or for additions to such buildings where such additions increase the floor space of said buildings, including the cost of original equipment and furnishings of said buildings, and/or for remodeling, reconstructing, or making extraordinary repairs to public buildings owned by the City, including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair, for the purposes of the Property and Construction Management Department and the Boston Redevelopment Authority.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk



**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That pursuant to section 11 of Chapter 643 of the Acts of 1983, the City of Boston, acting by and through its Purchasing Agent and its Collector-Treasurer, with the approval of the Mayor, is authorized to acquire the following departmental equipment by entering into one or more lease, lease-purchase or installment sales agreements in Fiscal Year 2007 in an amount not to exceed \$15,700,000; and in Fiscal Year 2008 in an amount not to exceed \$15,700,000, in such form or forms as the Purchasing Agent and Collector-Treasurer may determine with the approval of the Mayor; computer equipment (hardware and software), motor vehicles and trailers, firefighting equipment, office equipment, photocopying equipment, telecommunications equipment, medical equipment, school and educational equipment, school buses, parking meters, street lighting installation, traffic signal equipment and equipment functionally related to, and components of, the foregoing.

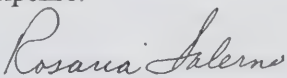
**AND FURTHER ORDERED:** That pursuant to section 9 of Chapter 643 of the Acts of 1983, the Collector-Treasurer be, and hereby is, authorized to execute and deliver, as appropriate, on behalf of the City of Boston, with the approval of the Mayor, trust, security and/or lease agreements and/or reimbursement agreements with attached letters of credit, and to procure, as appropriate, insurance to secure the City's obligation as authorized above, all in such form or forms as the Collector/Treasurer may determine with the approval of the Mayor.

In City Council June 7, 2006. Read once and passed, yeas 11, nays 0.

In City Council June 28, 2006. Read a second time and again passed, yeas 13.

Approved by the Mayor July 3, 2006, he certifying on the original order that the foregoing loan order is not, in his opinion, to meet a current expense.

Attest:

  
Rosaria Salerno  
City Clerk







# Revenue Estimates and Analysis



# Revenue Estimates and Analysis

## OVERVIEW

The FY07 Budget is supported with \$2.129 billion in recurring revenue, an increase of \$95.9 million, or 4.7%, from the FY06 Budget. The budget also includes \$5.3 million in non-recurring revenue and \$8.0 million from budgetary fund balance, yielding total revenue of \$2.142 billion, an increase of \$80.0 million, or 3.9% from FY06.

FY07 will likely represent a third year of real increase to recurring revenue growth after less than or only inflationary growth in FY03 and FY04 (Figure 1). Note that FY05 revenues increased substantially as the economy recovered during that year and that the FY06 Budget is likely conservative as a result. The FY07 Budget incorporates growth expected to be achieved in FY06.

The largest portion of the FY07 increase is attributable to growth in the Property Tax. None of the major revenue categories are projected to be less than budgeted for in FY06.

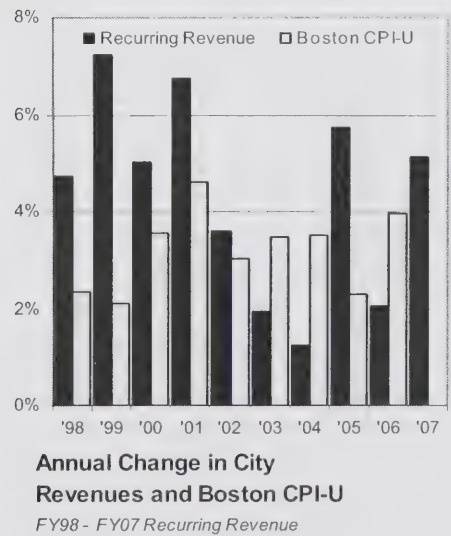


Figure 1

This chapter begins with a review of national and state economic trends that have and will continue to impact Boston in FY07 and beyond. It is

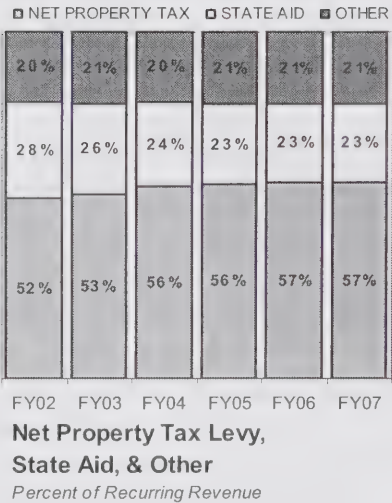


Figure 2

followed by an analysis of recent state budget trends and state aid, the City's second largest revenue source. Finally, a detailed discussion of the property tax levy, the City's largest revenue source, is presented along with other City revenues. Net property tax and state aid together make up 80% of total City revenues with the share of property tax increasing steadily and state aid decreasing steadily. Their stability is of critical importance in determining the City's ability to deliver quality services while maintaining overall fiscal stability and a balanced budget (Figure 2).

## THE NATION

The Nation has dealt with considerable adversity over the past year, with the ongoing conflict in the Middle East, escalating energy prices, and hurricanes which have devastated the Gulf Coast. However, according to recent statements by the Board of Governors of the Federal Reserve System, the Nation's economy has weathered these challenges as exhibited by steady growth in Gross Domestic Product, employment, and labor productivity.

Concerns regarding price level pressures and wages have continued to drive interest rate increases in 2006. Additionally, while the housing market, a source of stability over the past several years, continued to grow in 2005, there have been recent signs of softening which are likely to continue in the months ahead.

While the economic outlook remains positive, the combination of on-going volatility in the energy markets, fears of escalating inflation, a softening housing market, and the continuance of large federal budget deficits will continue to threaten higher levels of economic growth.

Currently, the Federal Reserve continues to tighten monetary policy through the Federal Funds rate, from the June 2003, 41 year low of 1.00% to the current rate of 5.25%. Starting in June 2004, the Federal Reserve has increased the federal funds rate by 25 basis points at each of 16 intervals (Figure 3). Even with these increases, "real" or inflation-adjusted short-term interest rates are still historically accommodative. The Federal Reserve will continue to use monetary policy to maintain its dual charges of price stability and economic growth as the economy expands.

Interest rates can speed or slow the economy. An example of the stimulatory effect of monetary policy can be seen in the use of recent historically low interest rates (and its Aa1 bond rating) by the City to refinance nearly half of its outstanding debt. This action resulted in considerable savings that could be used elsewhere in the budget. *(Please refer to the Financial Management Chapter for more detail.)*

Mortgage rates remain historically low despite an increasing Federal Funds rate. The monthly average conventional 30-year fixed-rate mortgage has risen from 5.40% in March 2005 to 6.65% in June 2006. Mortgage rates are expected to rise throughout the remainder of 2006 and into 2007 as the full effect of interest rate changes come to bear.

The housing market is likely to slow as mortgage rates rise. As a result, consumer spending on big-ticket durable goods should also experience a slowdown. However, a sharp decline in housing values, as was experienced during the early 1990s is not likely as the housing market is expected to

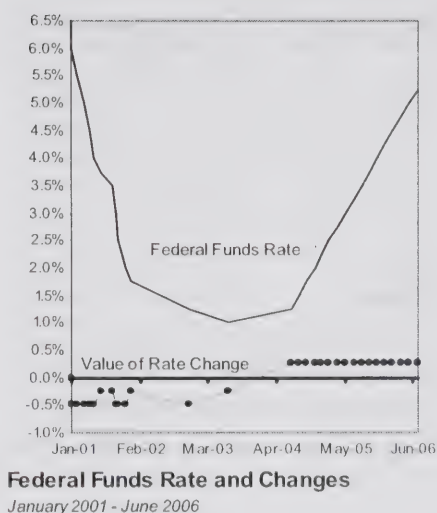


Figure 3

be supported by employment and income gains and therefore should remain relatively healthy, but with lower annual rates of appreciation for the foreseeable future.

Overall economic growth as measured through Real Gross Domestic Product (GDP) grew at 2.5% in the second quarter of 2006, down from the 3.3% GDP growth a year earlier and less than half that of the previous quarter's 5.6%. Real GDP growth is expected to steady over the course of 2006, with the Federal Reserve estimating growth of 3.5% for 2006, largely unchanged from actual 2005 GDP growth.

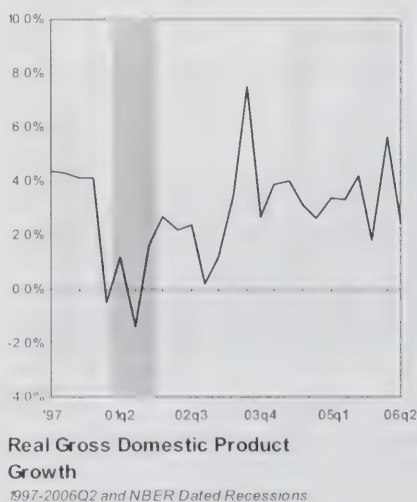


Figure 4



The seasonally adjusted unemployment rate in the U.S. was 4.6% in June 2006, down from 5.0% in June of 2005 (Figure 5). Given the current economic environment the unemployment rate is expected to remain in the range of 4.5% to 5.0% through the end of 2006.

The U.S. consumer price index for all urban consumers (CPI-U) rose 4.3% in the year ending June 2006, up from 2.5% for the year ending June 2005, while the “core” rate of inflation, all items less food and fuel, increased by 2.7% between June 2005 and 2006. Fuel prices, the main driver of overall inflation, saw an increase of 11.2% over the same period.

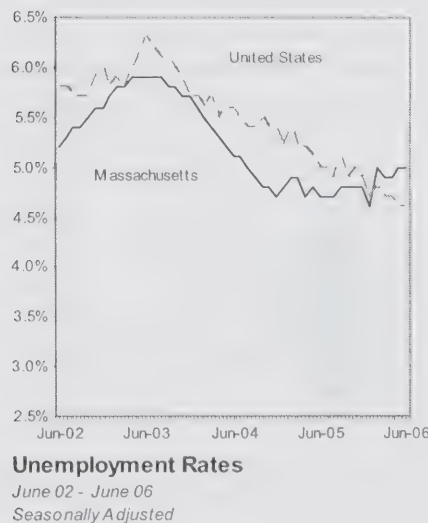


Figure 5

Even with the improving health of the national economy, federal budget deficits are expected to grow due to tax cuts, entitlement cost pressures and military action in Iraq. Given this and ambiguous projections of when balanced budgets will return, it is not expected that the states will see substantial increases in federal funds during the coming year.

## THE COMMONWEALTH

The rate of growth in the Massachusetts economy boomed in 2000, declined slightly in 2002, and has recently begun to recover, however slower than in the nation overall.

According to the Bureau of Economic Analysis (BEA), Massachusetts' real Gross State Product (GSP) increased in 2000 by 7.7% from 1999. By 2001, annual Massachusetts real GSP growth had

slowed to 0.6% and by 2002, had declined by -0.6%. In 2003, real GSP growth estimates ranked Massachusetts at a dismal 49<sup>th</sup> out of the 50 states, with only Illinois and the District of Columbia ranking lower. But by 2005 the state's economy had improved, growing 9.1% in the three years since 2002, but Massachusetts still only ranks 30<sup>th</sup> among all 50 states in growth.

The decline in economic growth and state tax revenues during this recent recession was substantial. Massachusetts lost the highest percentage of jobs in the nation, at one point losing more than 200,000 jobs or 6.0%.

Simultaneously the bursting of the internet-stock market bubble greatly affected Massachusetts' income tax collections. For example, collections from wage and salary withholding taxes fell \$600 million in FY02, while overall income tax from all sources fell nearly \$2 billion. This demonstrates that not only did taxable incomes fall as a result of job losses, but also due to massive losses in investment income as well. It should be noted that several income related state tax cuts were still phasing in during this period, further exacerbating the decline in revenue. Further detail on state tax cuts is provided in this chapter.

Employment and tax revenue in Massachusetts have been slowly increasing. Massachusetts added 25,700 new jobs between June 2005 and 2006, with 8,600 new jobs in April alone, the largest single monthly job gain in a year. While the number of jobs has grown, the state's unemployment rate has remained largely unchanged, increasing slightly over the past year from 4.7% to 5.0%, higher than the national rate of 4.6% in June 2006. Personal income taxes are expected to increase 6.1% in 2006, after 7.1% growth in 2005.

The employment outlook is mixed for the coming year, the Massachusetts Taxpayers Foundation estimates job growth of just 0.7 percent over the next two years, with the State's economy adding only 27,000 jobs in 2007.

Massachusetts' seasonally adjusted total personal income grew by 5.2% between the quarters ending March 2005 and March 2006. Earnings growth by industry over this period was strongest in state and local government, information as well as administrative and waste services. Earnings in non-durable goods manufacturing, military, and

federal civilian employment exhibited the weakest growth during the same period.

(See *Boston's People & Economy* section of Volume I for detail on Boston's economy.).

## THE COMMONWEALTH BUDGET

The Governor's FY07 budget, totaling \$26.9 billion, placed an increased focus on local aid. By removing the cap placed on lottery proceeds and proposing changes to the distribution of Chapter 70 education aid, the Governor's budget took some positive steps towards helping municipalities recover from the cuts of the recent past.

The most recent recession and the corresponding drop in state tax revenues left the state in need of making program reductions, drawing on reserves, increasing taxes and reducing local aid in order to balance the state budget. Most municipalities, including Boston, have yet to recover from these sudden and drastic aid reductions.

Following these fiscal hardships the Commonwealth has tended to build its budgets cautiously the last several years by being relatively conservative in its revenue estimates. This caution had been rewarded by the accumulation of reserves that have allowed the state more options in dealing with recent revenue shortfalls than in the past. The state had nearly exhausted those reserves by the close of FY03 and has now largely rebuilt them. The administration projects that the State's stabilization fund will grow to \$2.6 billion by the end of FY06.

The following discussion details some fiscal decisions made by the Commonwealth over the past several years.

With the Commonwealth running large budget surpluses in the 1990's, tax cuts occurred in rapid succession. In July 1998, the Legislature and the Governor worked out a tax cut that included a doubling of the personal exemption and a reduction in the unearned income tax rate from 12% to 5.95%. In the FY00 Budget, the Governor signed into law a reduction of the earned income tax rate from 5.95% to 5.75% over three tax years. The Governor's FY01 Budget recommended a reduction in the tax rate on earned income and the interest and dividend components of unearned income to 5.0% over three tax years, which was later passed by referendum in November of 2000.

The FY02 Budget included the above rate cut and some smaller targeted tax cuts taking effect in tax year 2001. The tax cuts included a refundable local property tax credit for low income senior citizens, an increase in the residential rental deduction, a new deduction for charitable donations, and a credit for developers of low income housing. The Governor's FY03 Budget included the continuation of the voter-approved income tax rate reduction to 5.0% valued at \$452 million in FY03.

In FY03, the legislature, instead of continuing tax cuts, voted to accept a tax increase package. Valued at \$1.14 billion by the Massachusetts Taxpayers Foundation, the package included a freeze of the income tax rate at 5.3% (\$215 million), reducing the personal exemption by 25% (\$240 million), repeal of the charitable donations deduction (\$190 million), an increase in capital gains taxes (\$275 million), and a \$0.75 increase in the cigarette tax (\$220 million) along with other increases to fees for various licenses. The Governor vetoed these tax increases but the legislature overrode those vetoes.

Even with the enacted tax increases, the FY03 budget was reduced several times during the course of the year as revenues failed to meet estimates. Most early reductions fell on executive branch agencies or grant accounts where the governor has the power to cut unilaterally. In January 2003, the new governor sought from the legislature temporary power to reduce local aid accounts normally under legislative control. The legislature granted that temporary power and local aid for FY03 was reduced statewide. The FY04 Budget then further reduced major local aid accounts. The FY05 and FY06 budgets, while not further reducing local aid, did not increase revenues enough to mitigate any of the serious operating challenges facing municipalities.

Beyond the recent reductions in and level-funding of local aid accounts, the City sees the ongoing need to modernize the property tax and seek a more diversified mix of revenue sources. To that end, the City has proposed several state legislative changes to shore up the property tax and to allow municipalities to generate more "own-source" revenue.

Specifically, the Mayor has filed legislation to close property tax loopholes that allow private businesses on tax exempt land to avoid taxes and that allow exemptions for certain equipment or corporate structures in the telecommunications industry.

In addition, the Mayor has filed legislation to enact a 1% local option tax on prepared food and beverages sold in municipalities in addition to the 5% state tax already in place. If the Legislature were to enact this legislation and the City Council adopted it, the City could recover an estimated \$17 million annually. A meals tax is a good fit for the strong tourist and travel economy in Boston. It would provide revenue growth at a nominal rate without a heavy burden on residents, tourists or travelers with the total rate of taxation remaining one of the lowest of any major city.

At the same time, the Mayor has filed legislation to enact a local option tax on parking in commercial parking lots. The City, like other regional employment centers, expends considerable resources on traffic control and street maintenance in support of this employment. But unlike other cities, Boston does not have any taxing authority to recover those costs. This local option tax could generate approximately \$19 million annually.

### STATE LOCAL AID

The FY07 local aid estimate assumes growth in Education and Lottery aid. The City received local aid (after adjusting for an accounting change in the treatment of Charter School Tuition) from the Commonwealth totaling \$476.6 million in FY03, \$459.8 million in FY04 and \$461.1 million in FY05.

The City expects to receive \$469.6 million in local aid in FY06 and is budgeting \$482.2 million in FY07.

Local aid refers primarily to distributions from the Commonwealth to municipal general revenue for Chapter 70 education aid, additional assistance and lottery aid. The amount of these funds to be distributed is listed on each community's cherry sheet (a listing of a city or town's local aid that was formerly printed on cherry-colored paper) along with other relatively smaller Commonwealth programs such as library aid, school construction, transportation and other reimbursements, and highway funds.

In the decade prior to FY03, Commonwealth officials, driven by practical considerations and availability of resources, reinstated increases in local aid in the form of aid earmarked for education. This period of increases followed three years of significant local aid reductions, which played a key role in the Commonwealth's return to a balanced budget after the last economic recession during the early 1990s. The Commonwealth's annual expenditure for direct local aid statewide has increased from \$2.32 billion in FY92 to \$5.02 billion in FY03, an increase of 116%.

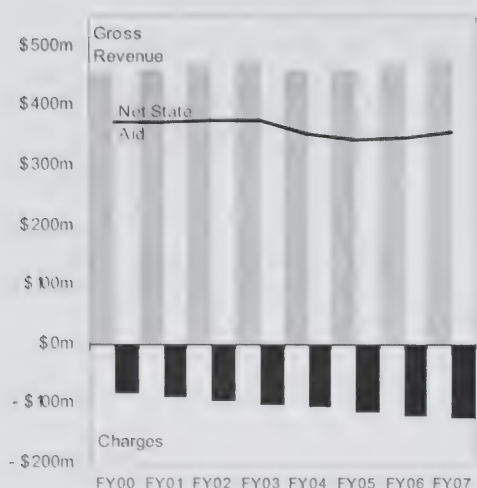
At the same time, Boston's share of local aid (net of reimbursement for teacher's pensions) increased 36.9%. The remainder of this section looks at Boston's experience with local aid in more detail.

Net state aid, gross state aid revenue minus assessments or "charges", was largely flat from FY00 through FY03 when aid was reduced. After those reductions, net state aid has again remained flat from FY04 through FY07. The rapid annual increases in the Charter School Tuition assessment combined with very low growth in education and lottery aid serve to keep the City's net state aid at a virtual standstill. Without even inflationary increases in net state aid, any small increase in annual aid can translate into an inflation-adjusted reduction (Figure 6). Even with marginal increases in net state aid for FY07, Boston still remains \$72.2 million below its FY02 level of net state aid of \$429.2 million.

Net state aid amounted to \$353.3 million in FY04 and \$349.4 million in FY05. FY06 budgeted net state aid totals \$349.0 million and the FY07 Budget assumes only minor growth to \$357.1 million.

Since FY82, there have been three distinct phases in state local aid funding policy. From FY82 through FY89, local aid policy was essentially a revenue sharing response to Proposition 2 ½, the statewide cap on local property tax rates and levies. A reasonable annual increase in local aid became an essential component in the financial planning for municipalities. The distribution between municipalities was based upon a relative measure of balance between local needs and local resources, and the revenue was distributed both in the Chapter 70 and Additional Assistance line items.





**Net State Aid** (net of Teacher's Pension)  
FY00 - FY07 Estimated

Figure 6

During the FY90, FY91 and FY92 budgets the Governor and the Legislature sharply reduced state revenue sharing with cities, towns, and regional school districts in order to help balance the state budget. Between FY89 and FY92, statewide cherry sheet aid declined \$639 million or 21.5% while all other state spending increased by \$1.5 billion or 15%.

#### *Education Aid*

Beginning in 1993 with the passage of the FY94 state budget, the Commonwealth embarked upon a multi-year commitment to increase and equalize funding for local education in its local aid distributions. During this period, Chapter 70 increased and additional assistance remained frozen. In general, state local aid during the FY94-FY03 period has been less favorable for Boston than the revenue sharing arrangement during the FY83-FY89 period. To illustrate, the City's total state aid between FY92 and FY03 grew \$121 million or 36.9%, while its total state aid between FY82 and FY89 increased by \$215 million or 111%.

The City received Chapter 70 education aid totaling \$205.6 million in FY02 and FY03. The City received \$200.5 million in FY04 and FY05 and expects to receive \$203.6 million in FY06 and \$207.0 in FY07.

FY00 was the last year of the statutorily established funding schedule for education reform. There has yet to be established a post-

FY00 funding schedule. A vital component in the City's delivery of quality public education in the near-term is strong financial support from the Commonwealth.

A key component of the Commonwealth's education reform effort is charter schools. The current educational aid is delivered in tandem with state-mandated costs for charter schools. Charter schools, which are granted charters by the State Board of Education, are publicly funded schools administered independently from local school committees and teacher union rules and regulations. There are two kinds of charter schools, the Commonwealth charter school and the Horace Mann charter school. The former is a school outside the local public school system and the latter is part or all of a school in the public school system. Unlike a Commonwealth charter school, Horace Mann charter school budgets remain part of the public school budget. In addition to the Board of Education, the local school committee and local bargaining agent must approve Horace Mann charter schools.

There are currently both Commonwealth charter schools and Horace Mann charter schools available to Boston resident students. There were approximately 4,253 Boston resident students attending Commonwealth charter schools in FY06. The City expects that number to increase to 4,697 in FY07.

Before FY99, all charter school tuition was drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$10.9 million in FY98. Under amendments to the charter school law, the Commonwealth, subject to appropriation, is required to pay to the City as reimbursement for Chapter 70 aid reductions 100% of tuition for new charter school students the first year, followed by 60% of tuition and tuition increases the second year, 40% of tuition and tuition increases the third year and 0% thereafter.

In FY03, the Commonwealth failed to appropriate funding for the charter school reimbursement, therefore the City paid the full tuition cost of \$32.1 million in that year. The net cost to the City of charter schools in FY04 was \$33.6 million. In FY06, the City budgeted a \$13.9 million reimbursement on a \$50.6 million tuition assessment for a net impact of \$36.8 million. In



FY07 the city has budgeted a \$13.3 million reimbursement against a \$53.7 million tuition cost, yielding a net impact of \$40.4 million.

#### *Lottery Aid*

Lottery aid for the City, as for most municipalities, had grown steadily over the last few years as a result of a state decision to phase-out an earlier imposed lottery cap and return to the practice of returning all lottery profits to cities and towns. The City's lottery aid was \$71.0 million in FY01, and \$63.5 million in FY02. Lottery aid was then level funded in the state's FY03 budget and then later reduced to \$57.6 million after the Governor effectively capped Lottery aid to cities and towns, diverting the excess funds to the state. In FY04, Lottery aid was further reduced to \$54.0 million and remained at that level through FY05. The City will receive \$60.54 million in FY06 and \$70.6 million in FY07 once the lottery cap is lifted.

Under normal circumstances, the lottery formula is not favorable to the City because it distributes lottery aid increases based inversely upon each municipality's relative per capita property wealth. The City receives a smaller percentage share of lottery aid than its share of the state population, and dramatically less than the share of lottery proceeds derived from sales in Boston.

Nevertheless, lottery aid has been an important source of revenue growth, aiding the City's efforts to sustain adequate municipal services. Beginning in FY01, growth in the City's lottery distribution reflected only profit growth in the lottery and not the removal of the state cap on lottery aid that had been in effect the five years prior to FY01. The Governors FY07 budget proposed an end to the diversion of lottery funds.

#### *Additional Assistance*

Additional Assistance, as mentioned above, had been frozen since FY94, with most local aid increases coming through Chapter 70 education aid instead. Its purpose and usefulness came into question during the FY03 state budget process when the Governor vetoed \$31 million from the statewide appropriation and the legislature failed to override that veto. Subsequently, the new Governor, using his temporary local aid reduction powers, reduced additional assistance yet again in January 2002 by \$73 million. As Boston receives

over 40% of the statewide distribution of additional assistance, these reductions fell disproportionately on the City. The City received \$206.6 million in additional assistance in FY02 and adjusted additional assistance of \$175.1 million in FY03. The City received \$164.2 million in FY04 and FY05 and expects the same in FY06 and FY07. Additional assistance has been important to Boston in supporting schools, public safety, and other basic services. Its continued reduction would seriously risk the City's ability to provide those services to residents and visitors alike.

#### **PROPERTY TAX LEVY**

The property tax levy has been the City's largest and most dependable source of revenue growth over the past 22 years. In FY06, the net property tax levy is \$1.17 billion, providing 57.7% of recurring revenue, with an increase to \$1.22 billion expected in FY07. According to current estimates, the net property tax levy will account for 57.3% of recurring revenue in FY07.

The increases in the gross property tax levy have been steady and consistent from FY85 to FY06, ranging from \$28 million to \$63 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the budgeted \$57.3 million rise in FY06 represents 5.0% growth. It is important for the financial health of the City that the property tax levy continues to grow, but its future growth, as explained in more detail below,

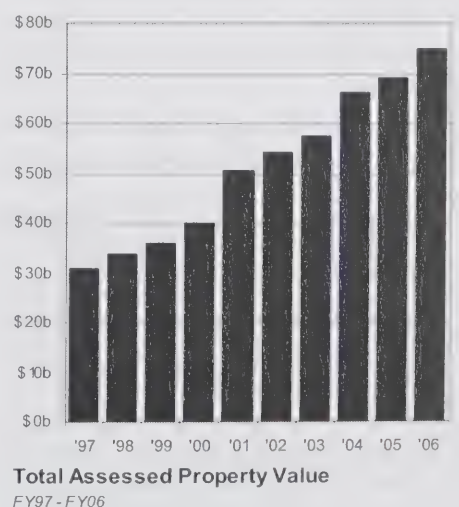


Figure 8

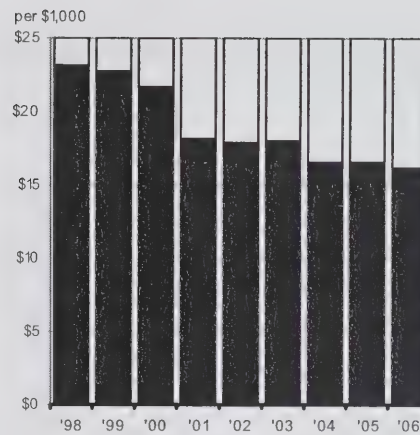
is not guaranteed.

The difference between the Gross and Net property tax levies is due to a required “overlay reserve”. The overlay reserve is a portion of the gross levy set aside to pay for abatements of tax bills that are contested. Until FY04, the City was required by Chapter 717 of the Acts of 1957 to reserve between 5% and 6% of the levy for this purpose. In FY04, the City petitioned the state legislature to repeal the act and allow the state Department of Revenue to approve the City's reserve annually as it does with every other city or town in the Commonwealth. The act was repealed and the City reserved 4% of the levy in FY04 and FY05. This 1% lower reserve amount added approximately \$10 million in recurring revenue to the operating budget starting in FY04. The level of needed reserve is determined by the City Assessor each year according to the projected need to satisfy abatements. In FY07, the reserve has been set at 3.5%.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new growth and construction. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or exclude any debt from the limit.

Proposition 2 1/2, as amended in 1991, allows growth in the levy beyond the 2.5% limit for any new properties and any increases in property valuations that are not related to municipal-wide revaluations. This limitation is more flexible than the original limitations on allowable new growth and has helped to strengthen revenue growth in a budget that does not have a diversified revenue base.

In each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown as the levy has grown, beginning in FY85 at \$8.4 million and reaching \$27.3 million in FY05.



**Overall Property Tax Rate & Space Below Levy Ceiling**  
FY98-FY06

Figure 7

During these same years, the levy has also been positively impacted by taxable new value, especially from new construction that has added to the tax base. The amount levied from taxable new value in FY06 was \$29.8 million and is estimated at \$23.0 million in FY07. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual levy increase from FY98 through FY06 of \$50.8 million or 5.4%, and a projected increase in FY07 of \$53.2 million or 4.4%.

As real estate values decreased in the early 1990s, the City continued each year to maximize the allowable levy increase under Proposition 2 1/2. Between FY90 and FY94, the levy increased each year by an average of 6.4%. The dramatic decrease in values brought the effective tax rate (levy / taxable value) from its healthy low point of 1.4% in FY89 to 2.47% in FY94, dangerously close to the Proposition 2 1/2 tax rate ceiling of 2.5%. Reaching the 2.5% cap would have resulted in a very limited increase in allowable annual levy growth. However, due to several years of strong taxable value increases, the City now has some space between its FY06 net effective tax rate of 1.62% and the tax rate ceiling (Figure 7).

Should the real estate market depreciate, the City's lack of proximity to the 2.5% property tax rate threshold should insulate revenues from an immediate shock but could, if values are depressed long enough, impair the growth of the property tax. This would have serious implications for the City's ability to maintain services.

## Excises

The Commonwealth imposes an excise on the registration of motor vehicles, the proceeds of which are received by the municipality where the vehicle is principally kept. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutory depreciation schedule based on the manufacturer's list price and the year of manufacture.

Having reached the peak of automobile sales in 2000, the City expected the market to soften or plateau, eroding revenues through the depreciation schedule mentioned above. Motor vehicle excise revenue totaled \$33.1 million in FY04 and \$44.7 million in FY05. The City expects motor vehicle excise revenue to exceed the midyear projection of \$40.0 million in FY06 and then decrease to \$40.0 million in FY07.

The local room occupancy excise amounts to 4.0% of the total amount of rent for each hotel or motel room occupied. Another 5.7% excise is directed to the state general fund, and another 2.75% to the state's convention center fund. The City divides its 4.0% excise into "Base," from the pre-July 1, 1997

Base room occupancy excise revenue (a portion of this revenue is sometimes retained in the convention center fund) totaled \$19.8 million in FY04 (\$17.0 million went to the general fund) and \$21.9 million in FY05 (\$18.0 million went to the general fund). The City's base room occupancy excise tax receipts are expected to exceed the midyear budget estimate of \$19.0 million in FY06, and are projected to increase to \$23.0 million in FY07.

A significant number of new hotel rooms are planned, already in construction, or were recently constructed. This will benefit the City's convention center fund and pay for a significant portion of the City's debt for the new Boston Convention and Exhibition Center. The debt is scheduled to be fully paid in FY2027. Therefore, for the foreseeable future, growth in room occupancy excise in the general fund depends upon increases in room rates and room occupancy in the 1997 base of hotel rooms.

The excise on the sale of jet fuel is 5% of the sales price, but not less than five cents per gallon. Jet fuel excise tax collections were severely impacted by the events of September 11 and the national recession, as travel and cargo shipping slowed sharply. The City expected jet fuel excise collections to reach bottom in FY04 and recover as the economy strengthened and travel returned in FY05. Jet-fuel excise revenue in FY04 totaled \$8.5 million (which was missing the first FY04 payment of \$3.2 million) and \$18.4 million in FY05 (which had an extra payment from FY04). The City expects this revenue source to exceed the midyear projection of \$14.0 million in FY06 due to sharp price increases related to hurricane Katrina in the fall of 2005 and projects an increase to \$15.0 million in FY07 (Figure 9).

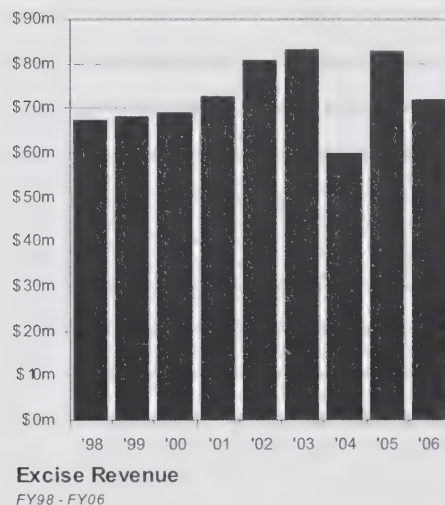


Figure 9

hotels, targeted to the general fund, and "New," from the post-July 1, 1997 hotels, targeted to the City's convention center fund.

Boston's occupancy and average daily room rates are usually among the highest in the nation, but this market was strongly affected by the events of September 11, 2001 and the national recession. Recently, receipts have stabilized and are growing as occupancy and room rates have increased.

## Fines

Over the last three years, the City has issued an average of approximately 1.63 million parking tickets per year and has maintained a high rate of collection on its tickets for several years, collecting approximately 82.0% of tickets in the first six-months after issuance and over 87.7% within a year. The major factors contributing to the City's successful collection rate include non-renewal of violator's registrations and licenses by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased



ability to recover fine payments from rental agencies, and systematic collection of fines for company cars and leased vehicles.

The City collected parking fine revenue of \$63.1 million in FY04 and \$62.2 million in FY05. Parking fine revenue is expected to exceed the mid-year budget estimate of \$61.3 million in FY06. The FY07 projection of \$64.2 million is based upon full staffing of Parking Enforcement Officer positions and an increase in the fine related to street cleaning.

### **Interest on Investments**

In general, the City's level of investment income is a function of the level of prevailing short term interest rates and daily cash balances. Investment income peaked at \$26.1 million in FY01 driven by rising cash balances and high interest rates. Interest rates have now risen from their recent 41-year lows and as cash balances have improved, earnings have increased. Investment income totaled \$7.8 million in FY04, and \$17.8 million in FY05. As the Federal Reserve has been increasing interest rates steadily since the end of 2004 while balancing economic growth and inflation, the City expects better cash balances and projects interest income will increase to \$22.8 million in FY06 and \$24.0 million in FY07 as a result.

### **Payments In Lieu of Taxes**

Payments in lieu of taxes (PILOTs) are payments made by tax-exempt institutions located in the City, including hospitals, universities and cultural institutions. These are voluntary contributions for municipal services such as police and fire protection and snow removal.

Growth in PILOTs comes from new PILOT agreements, contract escalations that adjust the payments for inflation, or re-negotiation of a current contract. The Massachusetts Port Authority (MassPort) recently renegotiated its agreement with the City and now provides more than half of the PILOT revenue the City receives annually.

Payments in lieu of taxes totaled \$22.3 million in FY04 and \$23.4 million in FY05. The City expects this revenue source to meet the midyear budget estimate of \$26.8 million for FY06 (due to payment of a balance owed by MassPort) and has projected

\$27.3 million for FY07 exclusive of any new agreements expected to result from negotiations.

### **Urban Redevelopment Chapter 121A**

Chapter 121A legislation allows local governments to suspend the imposition of property taxes at their normal levels in order to encourage redevelopment. In recent years, the City used this mechanism to encourage development of the Seaport Hotel and the World Trade Center office buildings. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise is a municipal excise in-lieu-of-income tax for which the Commonwealth acts as the collector and distributor. In most cases, the formula for the 121A, Section 10 excise in-lieu-of-tax is \$10 per \$1,000 of the current fair cash value plus 5% of current gross income. In FY04 and FY05, the City received Chapter 121A, Section 10 distributions of \$34.7 million and \$36.1 million, respectively. In FY06 and FY07, Chapter 121A Section 10 revenues are budgeted at \$33.5 million and \$34.3 million, respectively.

In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual Section 6A agreements with the City that result in additional payments made directly to the City. These Section 6A agreements are complex, with actual amounts owed dependent on a formula that varies widely among the 121As. The City collected Section 6A payments of \$18.7 million in FY04 and \$17.7 million in FY05. The City expects FY06 Section 6A collections to exceed the midyear budget estimate of \$18.5 million and has a budget of \$19.0 million for FY07.

### **Miscellaneous Department Revenue**

This category contains several large accounts and many more small accounts. The largest revenue source in this revenue category is municipal medicaid reimbursements for school health services. This federal reimbursement, administered by the state, began in FY94. The City received \$11.6 million in FY04 and \$14.2 million in FY05. Municipal medicaid reimbursement is expected to reach the midyear budget estimate of \$11.5 million in FY06, and is budgeted at \$12.0 million in FY07. One other account in this revenue



category is projected to exceed \$5.0 million in FY07 - Other Miscellaneous Department Revenue, which consists of miscellaneous fees for services, rents, and reimbursements, is projected at \$9.6 million.

### **Licenses and Permits**

The level of economic activity largely determines the amount of licensing and permitting done by City agencies. This category is dominated by building permit revenue, from which the City received \$22.7 million and \$23.2 million in FY04 and FY05 respectively. Building permit revenue should exceed the midyear budget estimate of \$17.0 million in FY06 due to strong residential construction and continuing commercial projects. The City expects to receive \$20.0 million in building permit revenue in FY07.

The next highest license and permit revenue is the cable television license fee from which the City received \$4.2 million in FY04 and \$3.1 million in FY05. The City has a budget of \$3.0 million for FY06 and \$4.0 million for FY07.

Alcoholic beverage licensing is the only other revenue source in this category that regularly exceeds \$2 million in annual revenue. Alcoholic beverage licenses are budgeted at \$2.3 million and \$2.4 million, in FY06 and FY07, respectively.

### **Penalties and Interest**

Taxpayers are assessed both a penalty and interest for late payments of property tax bills and motor vehicle excise bills. The recent trend has been down for these revenues as the City excels in collection of receivables, but when the economy suffers and unemployment increases, more taxpayers are late in making payments, temporarily increasing revenues. The City collected \$9.8 million in such penalties and interest in both FY04 and FY05. Actual penalty and interest collections for FY06 will reach the current midyear budget estimate of \$8.3 million. The City expects to collect \$8.6 million in penalty and interest revenue in FY07.

### **Available Funds**

Available funds are linked to a separate category of expenditure appropriation - those supported by immediately available fund transfers. Most of the City's general fund budget is supported by the revenues that are estimated to come in during the course of the fiscal year. This includes the

property tax levy, excises, state aid and the various other categories of revenues described above.

The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which are used to support the City's maintenance of its public cemeteries. The City transferred a total of \$2.9 million and \$5.5 million from these two sources combined in FY04 and FY05 respectively. The City expects to transfer \$10.0 million from the Parking Meter Fund to the General Fund in both FY06 and FY07. The City also plans to transfer \$2.1 million from the Cemetery Trust Fund to the General Fund in FY06 and \$2.2 million in FY07. These monies were available at the beginning of FY06 and will also be available at the beginning of FY07.

Both of these special funds have fees collected during the course of the year. By transferring out less than what is collected over the years, the City has built up the balances of these funds. Trust fund balances also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments (see *Financial Management* section of Volume I for detail).

### **Teachers' Pension Reimbursement**

Boston's cherry sheet includes an item unique to the City, the teachers' pension reimbursement for pension charges to the City. The pensions paid to retired teachers in all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System.

In a singular arrangement mandated by general law, pensions paid to retired Boston teachers are paid by the State-Boston Retirement System, which charges the City of Boston for this cost as part of its annual pension funding. The City is then reimbursed by the Commonwealth through the cherry sheet. In short, the Boston teachers' pension payroll is administered locally, but, as with all other teachers' pensions in Massachusetts, is the financial responsibility of the Commonwealth. The teachers' pension reimbursement totaled \$61.4 million in FY04, \$76.5 million in FY05, and is budgeted to be \$76.5 million in FY06. The teacher's pension reimbursement is estimated at \$85.2 million in FY07.

## **Non-recurring Revenue**

Included in the FY07 Budget is \$5.3 million in non-recurring revenue to be transferred from the surplus property disposition fund. In maintaining its policy of not supporting recurring operating costs with non-recurring revenue, the City limits this transfer to an amount not greater than \$1.0 million for the Risk Retention Reserve plus \$4.3 million for the Mayor's "Leading the Way" housing initiative.

## **Budgetary Fund Balance**

Fund Balance can be appropriated for use during the fiscal year. Fund Balance, or Budgetary Fund Balance, is more commonly referred to as "Free Cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending.

The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law, and is administered by the Massachusetts Department of Revenue. On January 12, 2005, the Director of Accounts certified that the amount of funds available for appropriation ("free cash"), as of July 1, 2004, was \$56,291,000. The FY05 Budget employed the use of a \$20.0 million appropriation from that amount, but due to strong growth in local revenues the amount was not needed at the close of the fiscal year. On March 1, 2006, the Director of Accounts certified free cash, as of July 1, 2005, was \$54,416,841. For FY06 a \$20.0 million appropriation has been made and for FY07 \$8.0 million is assumed to be appropriated. (See *Financial Management* section of Volume I for more detail on this revenue source.)

# CITY OF BOSTON REVENUE DETAIL

		FY04 Actual	FY05 Actual	FY06 Budget	FY07 Budget
<b>PROPERTY TAX LEVY</b>		1,094,149,616	1,150,589,723	1,207,619,855	1,260,810,351
<b>OVERLAY RESERVE</b>		(42,082,678)	(44,253,451)	(40,837,386)	(42,636,099)
	<b>Subtotal</b>	1,052,066,938	1,106,336,272	1,166,782,469	1,218,174,252
<b>EXCISES</b>					
	Motor Vehicle Excise	33,137,120	44,697,767	38,500,000	40,000,000
40129	Room Occupancy Excise	17,000,000	18,000,000	19,000,000	23,000,000
40130	Jet Fuel Excise	8,524,273	18,403,579	14,000,000	15,000,000
40140	Condominium Conversion Excise	834,500	1,347,500	400,000	600,000
	Boat Excise	69,943	65,771	50,000	50,000
	<b>Subtotal</b>	59,565,837	82,514,616	71,950,000	78,650,000
<b>FINES</b>					
	Parking Fines	63,097,196	62,207,762	61,300,000	64,200,000
45104	Code Enforcement - Trash	286,393	309,669	300,000	300,000
	Other Fines	3,280,474	3,095,702	3,175,000	3,285,000
	<b>Subtotal</b>	66,664,063	65,613,133	64,775,000	67,785,000
47151	<b>INTEREST ON INVESTMENTS</b>	7,791,729	17,787,353	22,806,289	24,000,000
40169	Massport	11,017,226	11,128,435	14,753,000	15,000,000
	Other Payments In Lieu of Taxes	11,250,958	12,319,365	12,026,912	12,341,631
	<b>Subtotal</b>	22,268,184	23,447,800	26,779,912	27,341,631
<b>URBAN REDEVELOPMENT CHAPTER 121A</b>					
	Urban Redev. Chap. 121B Sec. 16	1,448,872	1,049,853	1,534,500	1,500,000
	Urban Redev. Chap. 121A Sec. 6A	18,655,871	17,720,143	18,500,000	18,962,500
41013	Urban Redev. Chap. 121A Sec. 10	34,702,694	36,142,426	33,500,000	34,337,500
	<b>Subtotal</b>	54,807,437	54,912,421	53,534,500	54,800,000
<b>MISC. DEPARTMENT REVENUE</b>					
43105	Registry - Vital Statistics	1,661,742	1,647,714	1,500,000	1,600,000
43109	Liens	934,725	844,675	800,000	800,000
43120	City Clerk - Fees	534,994	748,353	535,000	750,000
43137	Municipal Medicaid Reimbursement	11,571,725	14,150,466	11,500,000	12,000,000
43202	Police Services	826,938	982,032	650,000	825,000
43211	Fire Services	2,702,822	2,763,405	2,700,000	2,700,000
43301	Parking Facilities	1,520,418	1,444,229	1,450,000	1,250,000
43311	PWD - Street & Sidewalk Occupancy Fees	2,309,062	1,987,005	2,000,000	2,025,000
43797	PWD - Fiber Optic Rental Fees	207,215	1,470,199	200,000	300,000
44002	Tuition & Transportation - Schools	395,581	785,981	400,000	450,000
47119	Settlements	455,733	633,610	450,000	465,000
47131	Pensions & Annuities	3,003,110	2,961,575	2,250,000	3,000,000
47132	Fringe Benefit & Indirect	0	0	0	0
47155	Prior Years Reimbursements	754,660	448,446	235,160	129,318
48000	Detail, 10% Admin. Fee	2,379,810	2,002,980	2,000,000	2,300,000
	Other Misc. Department Revenue	11,547,867	10,186,798	5,858,260	9,630,000
	<b>Subtotal</b>	40,806,401	43,057,468	32,528,420	38,224,318



# CITY OF BOSTON REVENUE DETAIL

		FY04 Actual	FY05 Actual	FY06 Budget	FY07 Budget
<b>LICENSES &amp; PERMITS</b>					
40211	Building Permits	22,724,810	23,213,600	17,000,000	20,000,000
40213	Weights & Measures	235,081	238,835	230,000	235,000
40215	BTD - Street & Sidewalk Permits	1,804,755	1,327,803	1,300,000	1,500,000
40221	Health Inspections	1,182,989	1,228,258	1,100,000	1,200,000
40222	Alcoholic Beverage Licenses	2,361,597	2,360,181	2,300,000	2,350,000
40224	Entertainment Licenses	1,383,232	1,431,551	1,350,000	1,400,000
40229	Other Business Licenses and Permits	127,358	100,564	100,000	115,000
40235	Cable Television	4,203,714	3,050,569	3,000,000	4,000,000
	Other Licenses and Permits	796,732	869,716	800,000	815,000
	<b>Subtotal</b>	<b>34,820,267</b>	<b>33,821,076</b>	<b>27,180,000</b>	<b>31,615,000</b>
<b>PENALTIES &amp; INTEREST</b>					
40133	Penalties & Interest - Property Tax	1,768,406	2,008,769	1,675,000	1,850,000
40134	Penalties & Interest - Motor Vehicle Excise	2,909,603	3,113,460	2,850,000	3,000,000
40136	Penalties & Interest - Tax Titles	5,145,195	4,627,377	3,750,000	3,750,000
40139	Penalties & Interest - 121A	123	92	0	0
	Other Penalties & Interest	7,823	1,280	10,000	10,000
	<b>Subtotal</b>	<b>9,831,151</b>	<b>9,750,978</b>	<b>8,285,000</b>	<b>8,610,000</b>
<b>AVAILABLE FUNDS</b>					
42502	Cemetery Trustee	1,932,385	2,029,004	2,110,000	2,220,500
42503	Parking Meters	1,000,000	3,500,000	10,000,000	10,000,000
	<b>Subtotal</b>	<b>2,932,385</b>	<b>5,529,004</b>	<b>12,110,000</b>	<b>12,220,500</b>
<b>STATE AID</b>					
41015	State Owned Land	170,686	266,810	340,116	226,372
41101	R.E. Abatements - Veterans/S.S./Blind	464,028	201,595	468,191	463,894
41104	Elderly Exemptions	454,310	617,460	617,460	570,272
41111	State Lottery Local Aid	53,968,473	53,968,473	60,545,688	70,589,023
41114	Veterans Services	1,618,085	1,783,305	1,932,574	2,056,250
41116	Additional Assistance	164,211,152	164,211,152	164,211,152	164,211,152
41119	Racing Taxes	722,801	735,583	630,000	609,000
41301	School Construction	17,555,199	16,144,882	15,463,685	13,815,487
41305	Charter Schools Reimbursement	3,085,155	7,089,219	10,359,141	9,654,809
41306	Chapter 70 Education Aid	200,498,366	200,498,366	203,634,716	207,044,706
41307	Charter Schools Capital Reimbursement	0	3,135,364	3,501,507	3,656,896
41311	School Transportation	9,152,359	0	0	0
41117	Police Career Incentive	7,941,863	7,846,979	7,937,515	9,315,000
41121	Municipal Relief	0	4,635,129	0	0
	<b>Subtotal</b>	<b>459,842,477</b>	<b>461,134,319</b>	<b>469,641,745</b>	<b>482,212,861</b>
41115	TEACHERS PENSION REIMBURSEMENT	61,389,720	76,520,673	76,520,673	85,164,054
	<b>RECURRING REVENUE TOTAL</b>	<b>1,872,786,589</b>	<b>1,980,425,115</b>	<b>2,032,894,008</b>	<b>2,128,797,616</b>
<b>NON-RECURRING REVENUE</b>					
42500	Budgetary Fund Balance	20,000,000	0	20,000,000	8,000,000
42501	Surplus Property	0	0	9,226,000	5,331,000
	<b>GRAND TOTAL</b>	<b>1,892,786,589</b>	<b>1,980,425,115</b>	<b>2,062,120,008</b>	<b>2,142,128,616</b>





## Education



# Innovations in Education

## OVERVIEW

Thanks to the strong support of the Mayor, City Council, and School Committee and the stable leadership of the outgoing superintendent, the Boston Public Schools (BPS) has made considerable progress over the past decade. Boston's comprehensive education reform plans, Focus on Children and Focus on Children II, have guided the progress in the Boston Public Schools. The unifying goal of the strategic reform plan has been to accelerate the continuous improvement of teaching and learning to enable all students to meet high standards. Results of this work have been encouraging despite the difficult fiscal context of recent years. Although FY07 will still present fiscal challenges, the budget will allow BPS to effectively support its teaching and learning priorities.

## Focus on Children

Focus on Children, adopted in July 1996, emphasized the goal of improving teaching and learning to enable all students to achieve high standards of performance. The entire BPS community – educators, administrators, families, students, and private partners – worked towards this goal. The efforts of Focus on Children had a positive, measurable impact on public education in Boston. Test scores and other data show that Boston's schools and students demonstrated continuous improvement over the first phase of Focus on Children.

The successor to Focus on Children, Focus on Children II, emphasized the goal of whole school improvement, a collaborative process that leads to measurable improvement in student performance. Whole school improvement requires all stakeholders to look at a school's many challenges and opportunities not in isolation, but in their entirety. Focus on Children II set out six essentials of learning:

- Use effective instructional practices and create a collaborative school climate to improve student learning;
- Examine student work and data to drive instruction and professional development;
- Invest in professional development to improve instruction;
- Share leadership to sustain instructional improvement;
- Focus resources to support improvement in instruction and in student learning; and
- Partner with families and the community to support student learning.

## BPS Operating Budget

The Boston Public Schools' FY07 budget, totaling \$734.5 million, represents a \$16.7 million increase over the FY06 appropriation. This budget reflects the Mayor's continued commitment to education. It demonstrates that despite fiscal challenges, education remains a top priority for the City of Boston.

Despite continuing pressures resulting from increases in health insurance and energy costs, the FY07 budget supports a number of critical priorities and achieves several important goals:

- Restoration of some of the reductions schools have faced over the past few years;
- Expansion of full-day Kindergarten 1 (K1) programs for four- year-olds;
- Continued funding of a multi-faceted strategy to address and close the "achievement gap;"
- An expanded program of support for new teachers;
- Instructional materials, curricular guidance, and aligned professional development for a cohort of schools in English/language arts and literacy;
- More robust support for English Language Learners;

- Supplemental resources to bolster low-performing schools;
- Continued support for the current fifteen Family and Community Outreach Coordinator positions, plus funding for an additional two positions;
- Adequate funding for anticipated increases in health insurance, utilities, and other costs affected by above average inflation; and
- Funding for known collective bargaining costs.

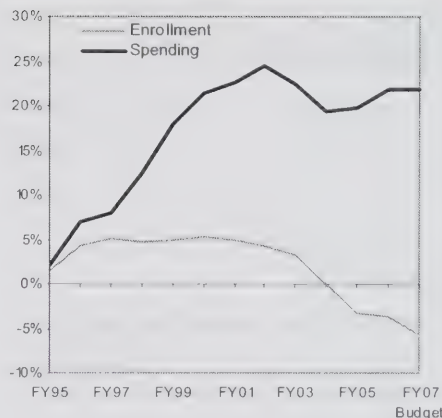
In order to fund its priorities, cover increasing fixed costs and balance the FY07 budget, BPS has developed and incorporated strategies such as expenditure reduction, efficient allocation of resources, and revenue generation. BPS has streamlined its central operations and instituted multi-year “phase-in” periods for new teaching and learning initiatives in order to achieve cost savings. BPS takes an “all funds” approach to budgeting that aligns all operating and external funds with instructional priorities. “Circuit breaker” funding for special education has covered extraordinary costs associated with serving students with disabilities.

## BPS STUDENTS

### Student Enrollment

Student enrollment is a key factor in the Boston Public Schools’ budget. During the budgeting process, BPS projects enrollment levels for each program, grade, and school. The projected enrollment at each school for the upcoming school year then determines the allocation of resources at the school level. As of December 2005, 57,954 students were enrolled in the Boston Public Schools. This enrollment level represents a decrease of 284 students from the 58,238 students enrolled in December 2004. The actual December 2005 enrollment represents a decrease of about 8.5% (5,391 students) from the recent enrollment peak of 63,355 reached in December 1999 (See Figure 1).

The enrollment projection of 56,806 students in FY07 anticipates a nearly 2.0% decrease in the number of regular education students from the actual enrollment level in December 2005. Special



**Cumulative School Enrollment Growth vs. Cumulative School Expenditure Growth**  
FY95-FY07 adjusted to FY94 dollars  
Figure 1

education enrollment is expected to decrease slightly from the December 2005 enrollment. Bilingual education/Sheltered English Instruction (SEI) enrollment is projected to decrease by 4.38% from the December 2005 level.

Currently, 80.1% of Boston Public Schools students are in regular education programs (including vocational and advanced work, and mainstream special education), 9.64% are in bilingual education, and 10.22% are in substantially separate special education programs. The BPS student population is racially and ethnically diverse. In FY06, the student body was 42.8% African American, 33.4% Hispanic, 13.6% Caucasian, 8.5% Asian, 0.5% Native American, 0.1% Native Hawaiian and Pacific Islander, and 1.1% multi-race, non-Hispanic.

The Boston Public Schools seeks to ensure equal educational opportunities and prevent discrimination and inequalities based on racial, ethnic, or socio-economic status, gender, sexual orientation, or any other reasons.

## PROGRAMS AND SERVICES

### Regular Education

Regular education programs at the Boston Public Schools include grades 1 through 12, kindergarten, and early learning opportunities. BPS programs run the gamut from early learning to high school programs, from classical education to technology,



and from advanced work classes to remedial and alternative education. In addition, adult basic education and evening high school programs are available for Boston's adult population.

#### **English Language Learners**

The Boston Public Schools, through its Office of Language Learning and Support Services (OLLSS), ensures that English Language Learners (ELL)/Limited English Proficient (LEP) students acquire proficiency in English while achieving the same standards as their fluent English-speaking peers. There are approximately 9,400 ELL/LEP students in the Boston Public Schools. BPS offers many choices and services for these students to help them attain English language proficiency and learn content matter. These programs include sheltered English immersion programs, alternative bilingual instruction, two-way bilingual programs, native language literacy, and general education.

Federal and state laws have established specific standards to govern instructional services for ELL/LEP students. Massachusetts General Laws c. 71A, as amended by Chapter 386 of the Acts of 2002, is the law governing the education of English language learners. Known as Question 2, this law requires that school districts limit the time a student with limited English proficiency spends in a sheltered instructional program to a period "not normally intended to exceed one year."

Since Question 2 took effect in FY04, the Office of Language Learning and Support Services (OLLSS) has redefined its mission to achieve a balance between focusing more deeply and systematically on the academic achievement of English Language Learners and monitoring compliance with Question 2. During FY07, OLLSS will work towards:

- Expanding the district's capacity to provide every school with more qualified teachers of English language learners;
- Increasing the number of English as a Second Language (ESL) certified teachers;
- Reassigning a substantial number of certified ESL teachers to schools with the greatest need;
- Continuing the implementation of a multi-year professional development plan focused on enhancing instructional practices in schools and collaborative coaching and learning protocols;

- Continuing to emphasize diagnostic and prescriptive assessment of ELL/LEP students to inform instruction and intervention;
- Providing information to families and other stakeholders regarding the restructuring of programs for ELLs, the location of the instructional programs, and the availability of resources to engage families and the community at large; and
- Hiring an additional twenty ESL teachers to provide direct services and support to ELLs, at a cost of approximately \$1.5 million.

#### **Special Education**

The Boston Public Schools provides special education services in both public schools and special education private schools to approximately 11,875 students (or 19.3% of BPS students). In keeping with BPS's goal to enable all students to achieve high standards, special education policies and practices focus on assisting and empowering students with disabilities to attain these standards. All special education services are provided in accordance with the Individuals with Disabilities Education Act (IDEA), Massachusetts State Regulations (CMR 28), Boston School Committee policies, and court orders. Special education teachers work with students with disabilities to meet the goals and objectives specified in their Individualized Educational Plans (IEPs). Speech and language pathologists, occupational therapists, adaptive physical education teachers, and other specialists also provide services as determined through the IEP process. To ensure equal access to all curricula in regular education, all teaching and learning experiences within the special education arena are closely aligned with the Citywide Learning Standards (CLS) and Curriculum Frameworks. BPS strives to provide appropriate services to students with disabilities and to serve more students within regular education settings.

While many special education students receive instruction in regular education classrooms and resource rooms, approximately 43% of students with disabilities are educated in substantially separate settings. Students move to these separate settings when such a move is necessary to meet their special education needs.

In addition to in-district placements in mainstream or substantially separate placements, BPS is responsible for the educational services of approximately 480 students in out-of-district placements. Students receive out-of-district placements when it is determined that their needs cannot be met in a public school setting, and that a private day school or private residential school is required to meet their educational goals and objectives. In FY06, BPS was fully or partly responsible for paying for services for 419 of these students. Costs range from \$12,500 per year to \$225,000 per year. Tuition rates are established by the Commonwealth of Massachusetts Rate Setting Commission.

#### **Student/School Support Services**

Students in all programs take advantage of a wide range of support services in the schools. These support services focus on mitigating barriers to teaching and learning, so that all students can reach citywide learning standards, graduate from high school, and have the tools to choose post-secondary education options and/or employment. The Unified Student Services Team offers school medical services, psychological services, guidance services, and other support services across all grade levels. The Unified Student Services Team collaborates with human services and community agencies to supplement the support services BPS offers.

### **ALTERNATIVE SCHOOL DESIGNS**

#### **Pilot Schools**

Innovation in education is essential to continuous school improvement. In recognition of this fact, BPS and the Boston Teachers Union (BTU) collaborated in 1994 to create pilot schools that could serve as laboratories for innovative ideas in quality instruction. Pilot schools, exempt from the BTU contract and School Committee rules and regulations, can test innovative educational ideas that can later be introduced to the entire BPS community. Pilot school students' test scores on national and state tests have shown consistent improvement. Reports by the Center for Collaborative Education have suggested that the flexibility pilot schools have been given with regard to budget, staffing, and scheduling has had

a positive impact on instruction, the educational environment, post-secondary outcomes, and most importantly, student achievement.

The existing seventeen pilot schools were created through a request for proposals process. BPS creates budgets for each pilot school based on the average per-pupil grade-level cost. The per-pupil cost allocated to each pilot school includes all instructional, administrative, and support service costs excluding private placement students. Pilot school budgets are part of the BPS operating budget.

In FY07, there will be seventeen pilot schools serving just over 5,600 students in grades kindergarten through twelfth grade. BPS and BTU have committed to expanding the number of pilot schools in operation over the next few years. The following Boston public schools currently operate as pilot schools: Fenway High School, Young Achievers K-8 School, Lyndon K-8 School, Greater Egleston Community High School, Mission Hill School, Harbor School, New Mission High School, Boston Arts Academy, Josiah Quincy Upper School, TechBoston Academy, Boston Community Leadership Academy, Orchard Gardens K-8 School, New Boston Pilot Middle School, Another Course to College, Lee Academy, Mason Elementary School, and the Baldwin Early Learning Center

#### **Horace Mann Charter Schools**

The City of Boston has two Horace Mann charter schools that will serve an estimated 570 students in FY07. These schools, the Health Careers Academy and the Boston Day and Evening Academy, were originally founded as pilot schools and were designated as Horace Mann charter schools in 1999.

A Horace Mann charter school represents all or part of a public school operated under a formal charter approved by the local school committee and local bargaining agent and granted by the Commonwealth of Massachusetts. Charters are granted for five years and are renewable. Charter schools must comply with state regulations on testing and assessments, and must measure their progress against the goals specified in their charter and produce a formal annual report. In

addition, site visits are used to assess each charter school's progress.

Horace Mann charter schools submit a budget request to the Superintendent and School Committee each year. The cost of Horace Mann charter schools is included in the BPS Operating Budget. In accordance with the Massachusetts law governing charter schools, a Horace Mann charter school's budget allocation must be consistent with the allocation to other public schools in the district.

### **Commonwealth Charter Schools**

In accordance with the Education Reform Act of 1993, Commonwealth charter schools are public schools established by charters granted by the Board of Education independent of local school committees. Commonwealth charter schools differ from pilot schools and Horace Mann charter schools in that the granting of their charters does not require the approval of the local school committee or school unions and they do not submit an annual budget request to the local school committee. The sending district of the student attending the Commonwealth charter school bears the cost of their education. Tuition costs for charter school students who live in Boston are paid by the City of Boston through a state assessment separate from the BPS operating budget.

In FY06, approximately 4,250 Boston students attended Commonwealth charter schools. In FY07, enrollment of Boston students in charter schools is expected to increase to approximately 4,697. Boston students currently attend 22 Commonwealth charter schools in and around the City. *(For more information on charter school funding, see Revenue Estimates and Analysis)*

### **EXTERNAL RESOURCES**

External funds are critical to the success of the Boston Public Schools. They are targeted for specific purposes that enhance teaching and learning and are aligned with the general fund budget to support an all-funds approach to budgeting. External funds are provided through formula grants (called entitlements), competitive

grants, reimbursement accounts, and other grants, primarily from state and federal sources.

BPS expects to receive \$136.2 million in external funds in FY07, an amount equal to 15.6% of its all-funds budget. The FY07 projected budget for external funds represents a decrease of approximately \$5.6 million or 4% from the FY06 budget. In FY06, federal funding comprised 79.3% of the external funds budget, state grants contributed 20.7%, and private funds accounted for less than one-tenth of one percent. In FY07, BPS expects to receive 78.9% of its external funds from federal sources and 21.1% from state grants. At the time of this writing, BPS was in the process of applying for grants that may be awarded for FY07, but are not yet guaranteed.

### **Federal and State Aid**

Federal and state aid to the Boston Public Schools has varied over the past few fiscal years. The Boston Public Schools' level of federal funding dropped in FY04 when the federal government began using 2000 Census figures in aid formulas, rose in FY05, leveled off in FY06, and is expected to drop in FY07 as a result of hurricane relief assistance and cuts in federal education programs. State assistance to the City of Boston and the Boston Public Schools dropped sharply in FY04, remained the same in FY05, inched up in FY06, and is expected to increase slightly in FY07. In FY05, BPS was affected by several changes in state grants due to revenue reductions and policy changes that included decreases in early childhood grants and Massachusetts Comprehensive Assessment System (MCAS) funding. However, the Commonwealth increased funding for special education. The state's FY06 budget provided moderate increases for many of the education grant programs, including kindergarten grants, targeted tutorial funds, and adult education. The Commonwealth's FY07 budget provides close to level funding for most of the grant programs BPS has benefited from in the past.

The Boston Public Schools' primary source of federal education funding is the No Child Left Behind Act (NCLB). NCLB, established during the cyclical reauthorization of the Elementary and Secondary Education Act (ESEA) in 2002, promises resources geared toward improving the quality of education for every child. NCLB funds

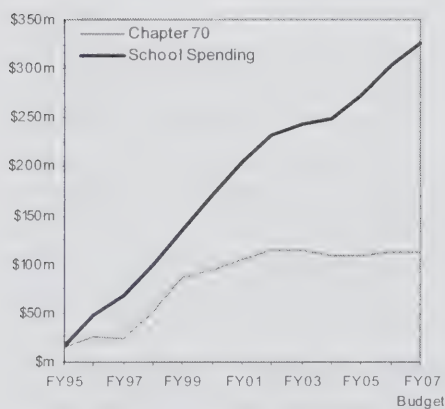


come with substantial new programmatic requirements including targeting of disadvantaged students, greater choice for parents, flexibility for states and districts, accountability, and scientifically-based instructional strategies and academic content. NCLB's enactment also provided the Boston Public Schools with a number of new opportunities to compete for funds.

BPS's primary source of state aid is Chapter 70. The state began distributing school dedicated Chapter 70 aid to support schools after the enactment of the state's comprehensive school reform law, the Education Reform Act of 1993.

The school funding system in Massachusetts includes a mandated local level of spending (local contribution), state aid to support school operations (Chapter 70), and establishes required annual local spending increases (municipal revenue growth factor). The City has consistently met these requirements, and contributed beyond the level of funding required. (See Figure 2 for school spending and Chapter 70 aid levels.)

Additionally, the state provides important aid to mitigate the financial costs of educating students with disabilities. With "circuit breaker" reimbursements, the state shares the cost of educating students with disabilities once the cost to educate those students exceeds a threshold amount. "Circuit breaker" aid was enacted in 2000 and implemented in 2004.



**Boston's Cumulative Chapter 70 Growth vs. Cumulative School Expenditure Growth**

Figure 2

Prior to FY2005 the Commonwealth provided annual funds to offset the cost of school transportation. The City received \$9.1 million in FY04 for the cost of student transportation, a cost that has since been absorbed by the City.

*(Please see the Revenue Estimates Section for more detail on school aid.)*

### Private Partnerships

The Boston Public Schools, in collaboration with several non-profit partners, has been very successful in leveraging grants and donations from private foundations, corporations, and occasionally individuals to support their educational mission. In FY07, BPS will benefit from major grants from foundations as well as partnerships with local organizations.

Thanks to major grants from the Annenberg Foundation and the Carnegie Corporation, approximately \$638,000 is expected in private funds to support literacy coaching and whole school improvement in FY07. Those funds are made available to BPS through a partnership with the Boston Plan for Excellence in the Boston Public Schools, a non-profit organization founded in collaboration with Boston's business community in 1984.

The Bill and Melinda Gates Foundation has made a substantial grant contribution to support the work of BPS in transitioning toward small schools as part of their high school renewal and small school initiatives. BPS expects to receive approximately \$2.3 million from the Gates Foundation to support small school development and implementation in FY07. Gates Foundation funds were awarded through an intermediary, Jobs for the Future, which in turn makes funds available to school awardees through the Boston Educational Development Foundation (BEDF).

The Boston Public Schools Office of Human Resources has been very successful in securing private foundation resources to implement innovative initiatives to improve customer service and enhance BPS's ability to recruit and retain outstanding educators. To date, nearly \$2.8 million in private funds have been raised to support the "HR reinvention." In particular, the Broad Foundation and an anonymous local foundation have been generous in their support of BPS's



efforts to upgrade its information systems and develop state-of-the-art technology-based recruitment and staffing tools.

The Boston Public Schools will receive financial and in-kind contributions from several local organizations in FY07. The non-profit Boston Educational Development Foundation (BEDF) serves as a fiscal agent for relatively small donations awarded to individual schools by corporate partners, foundations, or individual donors. As of March 2006, BEDF's non Gates Foundation accounts had balances totaling \$7.45 million dollars.

BPS has a long-running tradition of working with numerous independent organizations to help bring additional resources, expertise, and guidance to Boston's youth and BPS students in particular. BPS seeks to have each school build a partnership not only with a college or university, but also with a business or foundation, arts or cultural organization, and health or human services provider.

## Performance Indicators and Standards

### Overview

BPS is committed to using performance indicators and standards to mark its progress. The goal of its accountability system is to promote continuous improvement in teaching and learning in every classroom and every school. Federal and state funding guidelines also require BPS to track student progress. Recent changes in federal and state law have changed the district's role with respect to accountability. Under the No Child Left Behind Act (NCLB), federal regulations define the specific criteria for which schools will be held accountable, and on which sanctions and/or rewards are based. NCLB requires that states set standards for achievement and testing for students to see whether those standards are being attained, not only by the population as a whole, but also by student subgroups. Subgroups include students with disabilities, students with limited English proficiency, and students from all major ethnic and racial groups. At the state level, a provision in the Massachusetts Education Reform Act of 1993 stipulated that all students from the class of 2003 forward must pass the Massachusetts

Comprehensive Assessment System (MCAS) in order to receive a high school diploma.

Following are descriptions of the performance indicators that BPS currently uses in accordance with federal and state law. (*Performance Indicator & Standards data can be found in the Education chapter in Volume II of the City of Boston FY07 Budget.*)

## Adequate Yearly Progress

Adequate Yearly Progress (AYP) is the amount of improvement toward student proficiency that a school or district must demonstrate each year, on average, to close performance gaps and have all students performing at proficient and advanced levels in English language arts and mathematics by 2014. AYP is determined separately for English language arts and mathematics.

The amount of progress that is deemed to be "adequate" depends on a school or district's performance level relative to state performance targets for each rating cycle, and the extent to which a school has improved relative to its baseline for that rating period. A rating cycle represents a two-year period over which MCAS performance is averaged. Cycle I, the current baseline, spanned 1999 and 2000, Cycle II spanned 2001 and 2002, Cycle III spanned 2003 and 2004, and Cycle IV spans 2005 and 2006. A school is considered to have made AYP for Cycle IV if:

1. Performance is at or above the State Performance Target for Cycle IV (proficiency index of 68.7 or higher for mathematics; 80.5 or higher for English language arts) or
2. The school meets or exceeds the Improvement Target for all students overall and for all subgroups.

## Daily Student Attendance

Student attendance is an indicator of student exposure to school instruction. It is calculated as the average daily attendance divided by the average daily membership based on data provided by each school to the Records Management Unit using certain grades at different schools and excluding kindergarten. High rates of student attendance are a basic requirement underlying

school effectiveness. BPS expects student attendance to continuously improve.

### **Dropouts**

The dropout rate is regarded as a significant indicator of a school's effectiveness and also measures a school's holding power. According to state guidelines established in FY92, students in grades 6-12 are counted as dropouts if they leave school during the year from July 1 to June 30 for any reason other than transfer, graduation, death, or expulsion with an option to return. Middle and high school refer to grades 6-8 and 9-12 respectively. BPS expects the dropout rate to continuously decline.

### **MCAS Tests: Distributions**

The Massachusetts Comprehensive Assessment System (MCAS) is a statewide standardized test that measures student performance and serves to seek educational accountability from their respective school systems. MCAS data present the percentages of students at each school that fall into each of the four MCAS Performance Levels. Level 1 denotes "failing," Level 2 denotes "needs improvement," Level 3 denotes "proficient," and Level 4 denotes "advanced."

In the analyses of MCAS scores, percentages are based on the total number of students required to take the test. This includes regular education students, students with disabilities tested with standard accommodations, and limited English proficient students. BPS expects that the percentage of students in Level 1 will continuously decrease and the percentages of students in Levels 3 and 4 will increase.

### **Promotions**

Promotion rates are intended to reflect academic proficiency year-to-year during the standard school year. Therefore, promotion rates are calculated as the percentage of students promoted to the next grade as of June. They do not include those students who are promoted during the summer. Promotions represent an achievement both for students and for their schools. It should be noted that the more rigorous promotion policy now in place encourages an end to social promotions. BPS expects that promotion rates will continuously improve.

## **FORMAL BUDGET PROCEDURES**

### **Governance**

The seven-member Boston School Committee is appointed by the Mayor to staggered appointment terms and serves as the policy-making body of the Boston Public Schools. This structure was affirmed by the voters of the City of Boston in a referendum held in November 1996. The School Committee appoints a superintendent who serves as the chief executive officer of the Boston Public Schools. The superintendent, who is responsible for the management and supervision of the public schools, reports directly to the School Committee and also serves as a member of the Mayor's cabinet. At each school, site councils, consisting of the building administrator, parents, teachers, representatives from collaborating institutions, and a student (at the high school level), assist principals and headmasters in decision-making processes.

### **The Operating Budget Process**

The operating budget serves as a financial plan for carrying out the educational mission of the school system. The operating budget is developed in accordance with the goals and objectives approved by the School Committee and with extensive input from principals, headmasters, school site councils, the superintendent's leadership team, and the larger school community. The budget reflects the goals that the BPS community seeks to achieve during the next fiscal year.

The public school operating budget is developed under the following statutory schedule:

The superintendent is required to submit to the School Committee a proposed budget for the next fiscal year by the first Wednesday in February.

The School Committee is required to submit to the mayor estimates of the next fiscal year's operating budget by the fourth Wednesday in February.

The School Committee is required to take "definite action" on the proposed budget by the fourth Wednesday in March. The School Committee may adopt, reject, reduce, or increase any item in the superintendent's recommended operating budget. If the School Committee fails to take action on the superintendent's recommended operating budget by the fourth Wednesday in March, the budget

recommended by the superintendent is automatically and officially approved.

After School Committee approval of the next fiscal year's annual budget, the superintendent submits the budget to the mayor who may approve or reduce the total recommended budget, but who may not allocate among expenditures.

The mayor must submit the school's operating budget to the City Council for appropriation.

The City Council shall vote on the total amount of the appropriations requested by the mayor, but neither the mayor nor City Council shall allocate the appropriations among accounts.

## CAPITAL IMPROVEMENTS

The City's capital planning process supports the Mayor's commitment to education and ensures that Boston's educational facilities are equipped to meet the needs of the City's families. Capital expenditures for schools between FY01 and FY05 totaled \$278.9 million. FY06 capital expenditures for schools are estimated at \$35.7 million.

The FY07-11 capital plan includes \$242.0 million for school facilities. In FY07, \$34.5 million in new authorization is proposed. The proposed capital plan includes the following:

- Construction of an addition at Burke High School The addition will house a new gym and a full-service neighborhood branch library.
- Design and construction to re-open the Hemenway School in Hyde Park.
- Major renovation at the Cleveland School building to update the facility for a future program expansion.
- Renovation of the Russett Road School building in West Roxbury to re-open as a school facility.
- Continued phased renovation at the Dearborn School in Roxbury including updated plumbing system.
- Continued support of the Schoolyard Initiative by constructing new school yards and maintaining equipment installed during prior projects.

In addition to these highlights, the FY07-FY11 capital plan includes maintenance projects for masonry, roofs, fire alarm replacement,

mechanical systems, and accreditation repairs at schools across the City. Project-level detail on capital expenditures can be found in the Education section of Volume II of the FY07 Budget.

Capital investment in high schools has resulted in all schools either maintaining or improving their accreditation status over the past year. The School Building Assistance Program (SBAP), administered by the Massachusetts School Building Authority, is an important revenue source for school renovation and construction. The SBAP reimburses municipalities for some of the costs associated with these capital projects. The SBAP will reimburse the City of Boston for 90% of the construction costs for the Burke High School project. Future projects will be reimbursed at a lower percentage. For the period FY07-11 total estimated payments from the state are estimated at \$77.2 million.

## LINC Boston Strategic Technology Plan

To prepare students for life and work in the 21<sup>st</sup> century, it is critical that the Boston Public Schools embed technology into the educational experiences of its students, teachers, staff, and families. Since 1995, the Boston Public Schools has made dramatic strides in providing access to technology to support teaching and learning, communication, collaboration, and improved administrative functions. The district's continued support of technology is essential for BPS to achieve its academic and operational goals.

The Boston Public Schools will implement its third strategic technology plan, Learning and Information Network for the Community III (LINC III), in September 2006. As a living document, LINC III will become the district's systemic guide for technology from 2006 to 2009. Building upon the successes of the district's two previous technology plans, LINC III will lead the Boston Public Schools into the future of technology use based on the needs and goals of our students, staff, and families.

By June 2007, the LINC III Strategic Technology Plan will demonstrate the following accomplishments:

- Continued development and implementation of MyBPS, an Intranet



portal, in accordance with the MyBPS Roadmap;

- Phase I implementation of a partnership with business and community partners to refresh outdated Windows 95 and Windows 98 computers in our schools and to replace technology hardware that is more than five years old;
- Phase I reorganization of data and information resources that provides greater flexibility to access and analyze data to advance data-driven decision-making across the district;
- 112 schools fully networked with electrical upgrades;
- Families in approximately eighty schools participating in Technology Goes Home @ School and using MyBPS to communicate and collaborate with teachers concerning their children's classroom assignments; and
- Continued implementation of two multi-year National Science Foundation grants totaling \$4.2 million. One grant supports the alignment of IT curriculum at high schools, community colleges, and University of Massachusetts Boston, and the alignment of these curricula with industry needs. The other grant funds a collaboration between TechBoston and Northeastern University to strengthen IT and engineering education for Boston middle school students and other urban Massachusetts districts.





## Boston About Results



# Boston About Results – Performance Goals

## INTRODUCTION

The City of Boston strives to provide its residents with the highest level of service possible. Gaining high performance, customer satisfaction and responsiveness across all city departments is the cornerstone of Mayor Menino's administration.

Attaining a high performance organization demands the use of timely, consistent and reliable information. Boston has a long tradition of measuring performance which was enhanced in 2002 with the introduction of Boston About Results (BAR).

The development and improvement of Boston About Results continues in FY07 with the planned implementation of a city-wide, web-based performance measurement application which will allow for:

- Departments and management teams to more closely align strategy and performance measures
- Improved coordination and measurement of citywide initiatives
- The development of performance scorecards by department, program and strategy

The implementation process will coincide with an effort to strengthen the ability of departments to fully utilize the benefits of performance measurement. This process will consist of targeted performance measurement training, the creation of performance focus groups, and mayoral performance reviews.

## PERFORMANCE PRINCIPLES

BAR was designed to provide program managers, policymakers and citizens with information on services levels, program outputs and resource allocation. The program is based on the following principles:

### Improving Accountability and Transparency:

Above all Boston About Results represents a citywide effort to communicate service levels

across departments and the ability of city agencies to achieve their mission through new and existing programs. This process not only helps City managers but informs the public on what their tax dollars are producing.

**Mission Driven:** In order to be effective, a performance measurement system must be mission driven. Boston About Results measures performance across every city department with each set of measures directly tied to the mission and goals of the overall agency and the various programs within those agencies. Information on program outcomes as well as workload measures are reported and monitored continuously and measures are frequently modified to reflect program changes.

**Strengthening Management:** Through the measurement of program outcomes Boston About Results aims to provide city managers and policymakers with timely, relevant and consistent information to monitor program performance and output. This information can become increasingly important when deciding how and where to allocate resources.

**Assisting with the Strategic Planning Process:** Boston About Results was created not only to provide managers and citizens with program level data but also establish a set of consistent measures over time to assist with the strategic planning process. As the system continues to move forward additional focus will be placed on more closely integrating performance measures with citywide overarching goals.

**Informing Budgetary Decisions:** Effective performance measurement systems inform the budgetary process by tying resources to program outcomes and stated objectives. Boston About Results has become an important component of the budgetary process by allowing program outcome data to be an invaluable component of budget discussions with City departments.

## Overarching Goals - FY07 Performance Indicators

Reduce Violent Crime	Measure	Level of Service
Police	Violent crime reported	Reduction in
	Total priority 1 calls received	violent crime 80,000
Boston Center for Youth and Families	Summer jobs created	3,300
	Youth and families referred for services	1,200

### Improve Service at Same or Lower Cost

Management Info. Systems	Information system enhancement per month	12
	No. of permitting processes implemented	35
	Percent increase on online property tax payments	20%
Public Works	Percent of street sweeping district contracts using GPS	100%
	Percent of snow removal district contracts using GPS	100%

### Grow Revenue

Treasury/Assessing	Percent by which City investments exceed the federal funds rate (FY06)	0.10%
	Total number of departments on the City's accounts receivable system	10
	PILOT accounts monitored	45
	Current year property tax collection rate	99.0%
Intergovernmental Relations	Grant opportunities identified	500

### Narrow Health Disparities

Public Health Commission	Rate of child asthma hospitalizations for children under the age of 5	11.0 per 1,000
	Home visits for asthma education and services	150
	Percent of Boston residents with diabetes	6.5%
Elderly	Percent change in senior shuttle ridership	4%
	Percent of medical trip requests fulfilled	100%

### Close Achievement Gap

Schools	MCAS English (% of 10th graders who received proficient or advanced) FY05	38%
	MCAS Math (% of 10th graders who received proficient or advanced) FY05	39%
	Number of schools making Annual Yearly Progress in both ELA and Math	26
Library	READ Boston volunteer tutors	300
	Homework assistance program participants	6,000
Boston Center for Youth and Families	Percent of adult education slots filled	100%

### Increase the Diversity of City Services

Human Resources	Percent of new hires that are female (FY06)	49%
	Percent of city workforce that are female (FY06)	34%
	Percent of new hires that are people of color (FY06)	40%
	Percentage of city workforce that are people of color (FY06)	33%
Election	Bilingual poll workers	1,000

### Increase the Housing Supply to Meet Workforce Demand

Neighborhood Development	Units permitted of new affordable rental and ownership opportunities	520
	Privately financed market-rate units permitted	1,550
	Rental and home ownership low-income units preserved	840

### Create New Jobs

Neighborhood Development	Jobs created/retained through DND programs	195
	Businesses created/retained through DND programs	35
	Businesses provided with referral services through Business Assistance Teams	1,200



The City's program budgeting and performance monitoring system not only provides a solid base of services level information for departments, but also helps support and monitor the core, overarching goals of the Mayor. These goals include:

- Reducing Violent Crime
- Improving Service at the Same or Lower Cost
- Growing Revenue
- Narrowing Health Disparities
- Closing the Achievement Gap
- Increasing Diversity in City Services
- Increasing the Housing Supply to Meet Workforce Demands
- Creating New Jobs

These goals are aimed at guiding citywide service delivery by creating an integrated cross departmental approach to address issues critical to improving the long-term standard of living in the City. Achieving these overarching goals will consist of investing in targeted agencies and programs. Additionally, monitoring progress and communicating results will be critical moving forward. The previous table highlights selected measures aimed at monitoring results.

*(Note: See Executive Summary for more information on the City's overarching goals)*

## CONTINUOUS PLANNING CYCLE

### Budget Development and Approval

The performance system is part of a continuous planning and review cycle which integrates goal setting, program budgeting, monthly performance reporting, and financial tracking.

The cycle begins with departments preparing budgets within the financial parameters established. During the annual budget planning process, departments are required to develop and report performance measures indicating the planned and actual results supported by available resources.

The mid-year evaluation of current fiscal year projected results at this juncture may lead to the refinement of departmental objectives and outcomes intended to further the department's mission in the ensuing year. By redesigning

### Key Budget Dates/Requirements

Action Required	City Charter (FY07 Date)
Departments proposed budgets to Budget Office	No Requirement (2/14/06)
School Superintendent's proposed budget to School Committee on or before 1st Wednesday in February.	Ch. 613 Acts of 1987 (3/22/06)
Mayoral meetings with departments	No Requirement (March)
School Committee action taken on budget on or before 4th Wednesday in March	Ch. 613 Acts of 1987 (3/22/06)
Mayor's budget submitted to City Council on or before 2nd Wednesday in April.	Ch. 190 Acts of 1982 as amended by Ch. 701 Acts of 1986 (4/12/06)
Public Hearing held prior to budget adoption	No Requirement (April-June)
City Council action on budget on or before 2nd Wednesday in June	Ch. 190 Acts of 1982 as amended by Ch. 701 Acts of 1986 (6/14/06)
Mayor's approval of budget adopted by City Council on or before July 1, 2006 (FY07)	No Requirement (6/30/06)

business processes to increase operational efficiency or realigning programs to enhance service delivery, the City adapts itself to the diverse needs of its citizenry.

Funding requests and projected service delivery outcomes are informed by prior year results and help frame a series of policy discussions held with the Mayor. Tradeoffs under alternative service delivery options may be analyzed, with the end result a recommended budget submitted to the City Council for public deliberation.

The final approved budget marks the Mayor's commitment to provide the citizens of Boston with a comprehensive plan to deliver the highest level of quality services.

## Budget Accountability

Budget implementation follows City Council approval. Throughout the year, budget expenditure monitoring is informed by performance data. Financial and operational performance is monitored against the established budget plan and expected service levels, utilizing monthly revenue and expenditure variance reports and the Boston About Results system to ensure accountability for performance. Mayoral policy meetings are held often mid-year to take a comprehensive look at front-line agency performance to ensure that departmental strategy is proving effective in the context of actual results.

## Mayor's 24 Hour Constituent Service Hotline

In addition to Boston About Results the Mayor's 24 Hour Constituent Service Hotline is an integral piece of the City's management of service delivery. Hotline data serves as a check on what is important to constituents in each neighborhood, and ultimately, helps the City focus on achieving results in these activities.

The Mayor's Hotline staff forward constituent calls directly to department managers, who then share service requests with the appropriate department staff for follow-through. Boston About Results includes performance measures for the most frequent constituent calls, including, abandoned cars, traffic signals, streetlights, potholes, graffiti, code enforcement, building inspection, and tree maintenance.

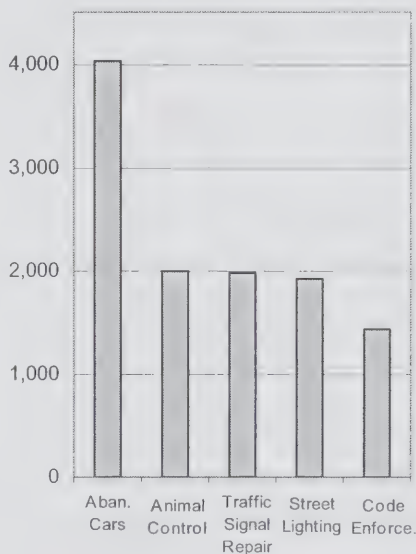
Service requests and constituent comments focuses managers' attention on measuring the right things, ensuring that department performance measures reported in Boston About Results are relevant. With an emphasis on customer service, the Mayor's 24 Hour Constituent Service Hotline is a direct point of entry for residents and also helps guide departments towards achieving the City's goal to remain accountable and responsive to constituent needs.

## Neighborhood Response Teams (NRT)

As Boston About Results and performance measurement in general are more tightly integrated in the financial, management, and policy planning of departments, the Mayor is

harnessing the momentum these tools have afforded the City by establishing Neighborhood Response Teams. Neighborhood Response Teams add a new dimension to the City's commitment to accountability and responsiveness to its citizens.

These teams represent a cross-departmental, coordinated effort to improve the provision of basic city services by utilizing new communication forums to address neighborhood-specific issues. Information flow is streamlined as Neighborhood Response Teams coordinate dialogue across all departments.



**Most frequent Hotline Calls in 2005**  
Figure 1

Teams are comprised of a core representation from City agencies, including the Mayor's Office, Office of Neighborhood Services, Public Works, Transportation, Parks and Recreation, Inspectional Services, Code Enforcement, Property Management, and Police departments – each team member is an effective decision maker in their respective department. Teams also consist of citizen participation and representation from local interests, including Main Streets districts, media and community groups such as City Year. Representatives from other City, state, and local agencies, for example, Boston Fire and Licensing departments, Boston City Council,

Massport, and local chambers of commerce, are asked to attend meetings whenever applicable.

### **Continuous Service Delivery Improvement**

The City continues to identify opportunities for efficiencies and to sustain the momentum that positive change can provide. Restructuring and refining government is an iterative process that overlaps budget cycles. The City has already taken measures to improve on the structure and responsiveness of government. Some of the measures under consideration or already taken are as follows:

- Fashioned on a competitive service delivery model, the Public Works Department's traffic signal unit offered a competing proposal to a Request for Proposals to retrofit 6,600 traffic signal lamps with energy efficient light emitting diodes (LEDs). The completion of this project was a success on two fronts. First, the in-house installation costs of the LED project were significantly less than the third party contractor's cost proposal. Second, the project will realize permanent energy savings by reducing the electricity use in the City's traffic signals by 2.6 million kilowatt hours (kWh) per year.
- In the Fall of FY06 Boston executed its second electricity supply contract in the deregulated electric supply market. This second procurement came on the heels of the City's first successful electricity procurement avoiding over \$1 Million in electricity supply costs that would have been paid to the local electric utility for default electric supply.
- FY07 marks the creation of a new cabinet level position, the Chief of Public Works and Transportation. The Office of the Chief continues the effort to eliminate functional overlaps by combining the administration and finance resources in both the Transportation and Public Works departments. The Office of the Chief will identify inefficiencies and improve service delivery with the expansion of technology.
- In addition to the changes in Public Works and Transportation, the Basic City Services Cabinet will be renamed Public Property in FY07 to reflect the ongoing goal to consolidate the responsibilities for operations and maintenance for City buildings and properties into this cabinet.
- In FY07, the City will complete an analysis of strategies to improve ways in which technology improvements in Citizen Relationship Management may result in operational efficiencies and improved customer service from front-line agencies.
- Aligned with the goal of Closing the Achievement Gap, the Boston Centers for Children and Families will refocus its out-of-school time program offerings on activities that contribute to improve student achievement.
- In an effort to more fully integrate budget and performance metrics into a unified system to more effectively measure performance, the City will be investing in a state of the art performance management tracking system.







# Financial Management

Financial Management

Capital Planning

Statutes and Ordinances

Boston's People and Economy

Budget Organization and Glossary



# Financial Management of the City

Managing the City's finances involves both a strategic and operational component. Strategically, the finances must be managed to accommodate fluctuations in the economy and the resultant changes in revenues and costs. Operationally, the City must put in place clear financial goals, policies, and tools to implement the strategic direction.

The Mayor ultimately directs all of Boston's financial operations. The Mayor is the chief executive officer of the City and has general supervision of and control over the City's boards, commissions, officers, and departments.

Mayor Menino established a cabinet form of government to recognize the major functional responsibilities of City government and to facilitate improvements in the conduct of the executive and administrative business of the City.

The following six departments, which are included in the Chief Financial Officer's Cabinet, have major roles in the financial management of the City.

- The Treasury Department collects revenues due to the City and pays all amounts due for payrolls and to outside vendors. The Treasury Department also manages the investment of City funds and supervises City borrowings.
- The Auditing Department maintains internal controls, manages grant funds, provides financial reports, keeps the financial records for the City and approves all payments made by the City.
- The Assessing Department supervises the valuation, for tax levy purposes, of all real and personal property located in the City.
- The Office of Budget Management, in addition to overseeing the operating budget, also prepares and monitors the City's capital plan and coordinates the long-range capital

planning activities of City and School Departments.

- The Purchasing Department procures all supplies, materials, and equipment for the City.
- The Retirement Board oversees the City's retirement system.

## STRATEGIC FINANCIAL MANAGEMENT

Maintaining a healthy financial base that fully supports City services according to mayoral priorities requires constant vigilance. This work is reflected in restructuring and reshaping City services, new financial management systems, efforts to secure sound recurring revenues, responsible spending adjustments in light of revenue growth limitations and a balanced budget.

A balanced budget is required by Massachusetts General Laws Chapter 59, Section 23. As part of the State Department of Revenue's tax rate certification process municipalities must balance all appropriations, fixed costs and prior year deficits with the approved property tax levy, estimated local revenues, and available prior year surpluses in order to obtain authorization to issue property tax bills.

The overall success in the City's adherence to its financial policies and the City's image in the capital markets have contributed to steady bond rating upgrades. In January 2006, Moody's Investors Service, FitchRatings and Standard & Poor's Rating Services affirmed the City's credit ratings of Aa1, AA and AA, respectively. The City's strong proactive management has clearly been recognized by the credit markets.

## Maximizing Return on Investment

The City's administration works to maximize service delivery provided per dollar of revenue by constantly reassessing the management organization and distribution of financial resources toward priority goals that maximize

return. The Office of Budget Management (OBM) informs financial decisions made through service-based budgeting and objective assessments of cost efficiencies and service delivery in certain areas.

Ongoing investment in the city's resources – people, property and systems, is key to guaranteeing solid service delivery for the future. Capital investments weigh changing service needs with the need for adequate building maintenance and upgrades. Human resource training has included specialized management training and a performance appraisal system.

The City's technology needs are continually assessed and updated on an ongoing basis. An upgrade to the City's Human Capital Asset System will change the way employees interact with City government by introducing a self service component. An enterprise-wide on-line permitting system will be launched in FY07, significantly improving customer service delivery by automating workflow and streamlining processes. The City's website will also be revamped this year, using the latest design trends and best practices in eGovernment.

### **Diversifying the City's Revenue Stream**

Eighty percent of total general fund revenue comes from just two sources, the property tax and state aid from the Commonwealth. Both of these revenues are strictly controlled by state law. Therefore, the City remains alert to the possibility of diversifying its revenues base while more closely matching revenues with its economic strengths.

The Mayor continues to steer municipal revenue development through legislation, seeking additional local option revenue sources and a level utility playing field by removing an outdated property tax exemption.

Specifically, the Mayor has filed legislation in recent years to close property tax loopholes that allow private businesses on tax exempt land to avoid taxes and that allow exemptions for certain equipment or corporate structures in the telecommunications industry. These exemptions have the effect of shifting tax burden to other businesses and residents.

In addition, the Mayor filed legislation to enact a 1% local option tax on prepared food and beverages sold in municipalities on top of the 5%

state tax already in place. A meals tax is a good fit for what has become a strong tourist and travel economy in Boston. It would provide revenue growth at a nominal rate without placing a heavy burden on residents, tourists or travelers as the total rate of taxation would continue to remain the lowest of any major city. Revenue from this tax would also increase along with the related costs the City incurs when large public events held in the City.

At the same time, the Mayor has filed legislation to enact a local option tax on parking in commercial parking lots. The City, like other regional employment centers, expends considerable resources on traffic control and street maintenance in support of this employment. But unlike other cities, Boston does not have any taxing authority to recover those costs.

### **INTERNAL MANAGEMENT CONTROLS**

The City has established a system of internal management controls to effectively manage its financial operations. These controls are designed to maximize revenue collections, manage operating and capital spending, evaluate infrastructure needs, and formalize the City's internal procedures. Major components of the City's system of financial management controls are discussed in the following paragraphs.

#### **Capital Planning**

The Office of Budget Management's Capital Budgeting Program (CBP) is responsible for managing the capital budget of the City. It oversees infrastructure investment, resulting in the protection and preservation of the City's capital assets. CBP's mission is to evaluate the condition of the City's capital stock, forecast the timing and financial requirements of new construction and rehabilitation, and recommend allocation of current and future resources to meet the City's infrastructure and capital requirements. Resource availability and capital needs are assessed frequently and appropriate planning responses are taken. CBP evaluates and refines the relationship between the City's capital needs and resources as the City moves through each fiscal year. This process is documented by an annually updated five-year capital plan.



In addition to its planning functions, CBP also plays an ongoing project oversight and supervisory role during the implementation phase of its capital projects. CBP reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources.

### **Program-Based Budgeting and Assessments**

The City of Boston uses a program-based budgeting system to track expenditures and service levels by major functions or programs. This budgeting system complies with the standards of the Government Finance Officers Association, which has consistently recognized the City's efforts with its Distinguished Budget Presentation Award.

The City has built on this base of budget and performance information to design a system of departmental accountability for service outcomes, making sure services are delivered at the level expected, with a focus on customer satisfaction and service efficiency. The Office of Budget Management (OBM) plays a central role in the collection and analysis of performance data, ensures proper documentation of results, and assists departments in pursuing opportunities for improvements. All financial commitments by departments are first reviewed by OBM for conformance with service priorities and funding availability. The City plans to improve its management tracking system, "Boston About Results" in FY07, further integrating budget and performance metrics into a unified system to effectively measure performance.

### **Debt Management**

The Treasury Department manages all City borrowings. The City's cash flow is carefully managed and anchored by quarterly billing of the property tax and quarterly receipt of state aid distributions, eliminating the need for short-term borrowings. Guidelines established by the Treasury set forth the City's management policies toward rapidity of debt repayment, debt affordability, the limitation on the level of variable rate debt the City will issue, and the target savings amount on debt to be refinanced.

Two mainstays of the City's positive debt service position have been the relative stability of the annual debt cost to remain below 7% of total

general fund expenditures and adherence to rapid debt retirement ensuring that at least 40 percent of outstanding principal be retired in five years, and 70 percent in ten years.

Other factors have contributed to this favorable debt position in the recent past. The City has taken maximum advantage of the low interest rate environment and has refunded close to \$452 million since FY01 for a net present value savings of \$26.2 million. The City also utilizes lease-purchase financing of equipment with a two to seven year useful life. Annual lease-purchase financing has totaled \$7 to \$10 million for vehicles, computers, and lighter equipment.

### **Pension Management**

As required by law, the State-Boston Retirement System (SBRS), of which the City is the largest member, performs a full valuation at least once every three years. The valuation is used to determine the total system liability and the annual funding requirement. The SBRS hires an investment manager who oversees the various fund managers of the SBRS pension assets. The long-term investment performance of the SBRS has exceeded the long-term investment assumption of 8% upon which the funding schedule is partly based, recording an average annualized return from January 1, 1985 through December 31, 2004 of 10.30%. Its intermediate five-year (ending in 2004) average annualized return was 3.09% and short-term (2004 only) return was 12.01%. In 2004 the composite rate of return for all Massachusetts' public pension funds was 13.53%. Over the years, the City has worked with the SBRS to maintain a conservative and responsible pension-funding schedule. This has included maintaining a conservative investment rate of return assumption and a funding schedule that fully funds the system several years earlier than the statute requires.

### **Other Post Employment Benefits (OPEB)**

In June 2004, GASB issued Statement No. 45., *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measurement, recognition, and display of Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits such as life insurance. The City will be required to

implement the provisions of Statement No. 45 for the fiscal year ending June 30, 2008. The City currently provides postemployment healthcare and life insurance benefits to eligible employees in accordance with state law and pays its share of the cost of such benefits on a pay-as-you go basis. The City has begun the process of determining its unfunded actuarial accrued liability with respect to future post-employment benefit obligations.

## **Risk Management**

The City of Boston's Risk Management Program focuses on a planned strategy of self-insurance supported by strong prevention and cost reduction efforts, financial reserves and catastrophic insurance. The Office of Budget Management works to maximize the effectiveness of this intradepartmental effort by reviewing citywide risk costs, assisting risk management efforts, and implementing a citywide risk financing strategy.

Following is further discussion of certain types of losses and how they are managed:

- The Office of Human Resources (OHR) manages healthcare costs through competitive bidding and annual negotiations of benefits with HMO healthcare plans, and a self-insured indemnity plan. As discussed further in the Summary Budget section, the average annual per-employee cost increase for health insurance has exceeded over 10% for the past five years, for a total projected city cost exceeding \$235 million in FY07.
- The Office of Human Resources and the Police and Fire Departments manage citywide employee injury costs, which total over \$50 million per year. Specific efforts continue in the Fire department to contain injury costs which represent approximately 40% of the citywide total.
- The City's low liability claims costs average between \$3 million and \$7 million annually. Managed by the City's Law Department, legal claims are limited by MGL Chapter 258, which caps the City's liability for most claims.
- Unexpected losses to physical city property have been minimal, and are managed by individual operating departments.

Because the City's risk financing program stresses departmental accountability, typical risk costs for injuries, legal claims and property losses are

funded by individual departments. Citywide funds protect department budgets against unusually high claims. The City budget in turn, is protected through a risk retention reserve, that will reach an \$11.1 million balance in 2006, and catastrophic property insurance coverage that covers property losses which exceed a \$10 million retention.

## **Property Tax Collections**

The City's aggressive enforcement program continues to reduce the number of tax accounts that are delinquent and to discourage new delinquencies. The City achieved a property tax collection rate of 98.8% of the FY05 gross levy as of June 30, 2005. The City's program includes a variety of collection remedies authorized by state statute such as including past due amounts on tax bills.

The Taxpayer Referral and Assistance Center provides "one-stop" service to Boston taxpayers on tax-related matters. An on-line bill payment option is offered for taxpayer convenience. Parcel-specific information as well as payment history is also available on-line.

## **Expenditure Controls**

In addition to the management systems described above, the City operates under several statutory financial control systems. Certain controls established in the 1982 Funding Loan Act and its 1986 amendments set limits on flexibility in financial administration. Under the 1982 Funding Loan Act, for example, until April 15 of each year, the Mayor is authorized to reallocate no more than \$3 million.

Several other financial controls were enacted by state law and implemented during the 1980s. An expenditure allotment system prevents departmental overspending of personnel appropriations. Additional state law provisions are directed at the control of School Department spending. These controls, teamed with conservative and cautious estimates of annual revenue, have aided the City in avoiding operating budget deficits every year since FY85, and have aided the School Department in avoiding operating budget deficits every year since FY90.



## Reserve Fund

As required by law since 1986, the City has been maintaining a reserve fund equal to 2 1/2% of the preceding year's appropriations for all City departments except the School Department. The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of June 30, 2005, the reserve fund had a balance of \$22.6 million. The City fulfilled the FY06 Tregor Reserve requirement by adding \$1.1 million to the reserve before the close of FY05. The City expects to fulfill any FY07 requirement prior to the close of FY06.

## Accounting System

Financial management is supported through the City's PeopleSoft System. This integrated financial and human resources management system is designed to track and control daily activities and report the financial position of the City. This system supports the rigorous monitoring and reporting requirements enforced by the City.

## Management Letters

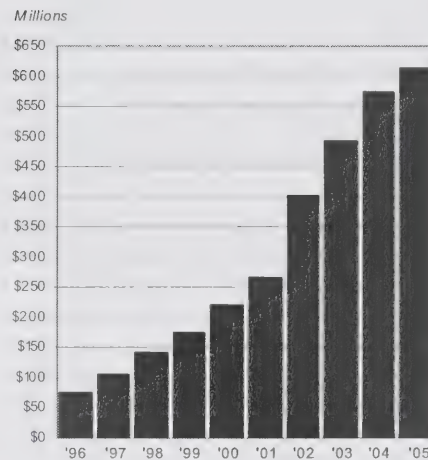
Following the completion of the financial statements, the City's independent auditors deliver a management letter containing comments and recommendations on internal financial controls. The current management letter indicated no material weaknesses in the City's management. Specific management improvements have been recommended in the management letters, and many of the controls that the City has implemented originated from the auditors' recommendations.

## Contracting Procedures

The Uniform Procurement Act, Massachusetts General Laws Chapter 30B, enacted by the Commonwealth in 1990 (the UPA), creates uniform procedures for the contracting of services and supplies by all municipalities in the Commonwealth. The City has implemented internal processes to conform its contracting procedures to the requirements of the UPA.

## General Fund Equity

The City's management of its finances has resulted in a continuing upward trend in general fund equity. This trend was interrupted by merger of the City's two public hospitals with a private



General Fund Equity (GAAP Basis)  
FY96- FY05

Figure 1

hospital to form a new private entity in 1996. This improved the City's future financial outlook by shielding the City from the likely growth in hospital subsidies that would have been required without the merger. (Figure 1)

General Fund equities for FY02 through FY04 appear artificially high as compared to prior years due to the required implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB No. 34 fundamentally changed the treatment of liabilities and receivables in the General Fund.

It is expected that the actual results at the close of FY06 will not add significantly to the upward trend in general fund equity that the City has experienced since FY96. The City hopes to preserve its policy of maintaining a GAAP Undesignated Fund Balance in the General Fund that is 10% or higher than the current fiscal year's GAAP General Fund Operating Expenditures, while maintaining a Budgetary Undesignated Fund Balance between 5% and 10% of Budgetary Operating Expenses.

## Auditing and Budgeting Practices

The City prepares its comprehensive financial reports in accordance with generally accepted accounting principles (GAAP). However, accounting practices established by the Commonwealth's Department of Revenue, the so-

called budgetary basis method of accounting, are used in the annual general fund budget and property tax certification process. Budgetary basis departs from GAAP in the following ways:

(a) Real and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (GAAP).

(b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budgetary), as opposed to a reservation of fund balance (GAAP).

(c) Certain activities and transactions are presented as components of the general fund (budgetary), rather than as separate funds (GAAP).

(d) Prior years' deficits and utilized available funds from prior years' surpluses are recorded as expenditure and revenue items (budgetary), but have no effect on GAAP expenditures and revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year

ended June 30, 2005.

Financial statements for the fiscal year ended June 30, 2006 are expected to be available in late fall.

### **Budgetary Support**

Fund Balance can be appropriated for use during the fiscal year. Fund balance, or budgetary fund balance, is more commonly referred to as "free cash" when used this way. This item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law and is administered by the Massachusetts Department of Revenue. The FY04 Budget made use of \$20.0 million in appropriations from the fund balance of the general fund. The FY06 Budget assumes use of an additional \$20.0 million and the FY07 Budget \$8.0 million.

### **Adjustments Between Budgetary Basis and GAAP Basis of Accounting for FY05**

(in thousands)

	Revenue	Expenditures	Other Financing Sources (Uses), Net	Excess (Deficiency) of Revenue and Other Financing Sources
As reported on a budgetary basis	1,980,425	1,972,092	-	8,333
<u>Adjustments:</u>				
Revenues to modified accrual basis	31,321	-	-	31,321
Expenditures, encumbrances and accruals, net	-	(150)	-	150
Free Cash Used	-	-	-	-
<u>Reclassifications:</u>				
State-funded teachers' retirement costs	(76,521)	(76,521)	-	-
Convention Center Fund Revenue	(18,000)	-	18,000	-
Transfers	(4,504)	-	4,504	-
As reported on a GAAP basis	<u>1,912,721</u>	<u>1,895,421</u>	<u>22,504</u>	<u>39,804</u>



**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
General Fund  
Years ended June 30 2005 and 2004  
(in Thousands)**

	\$	<u>2005</u>	\$	<u>2004</u>
Revenues:				
Real and personal property taxes		1,138,254		1,082,574
Excises		93,906		85,354
Payments in lieu of taxes		42,218		42,373
Fines		65,280		66,342
Investment income		17,970		8,253
Licenses and permits		33,491		33,900
Departmental and other		60,704		45,556
Intergovernmental		460,898		459,836
Total revenues		<u>1,912,721</u>		<u>1,824,188</u>
Expenditures:				
Current:				
General government		57,471		30,061
Human services		23,821		22,642
Public safety		457,541		390,854
Public works		106,749		87,045
Property and development		29,836		31,088
Parks and recreation		15,708		11,260
Library		27,594		24,089
Schools		673,009		656,291
Public health programs		60,586		58,762
County		-		-
Judgements and claims		6,620		(3,544)
Retirement costs		59,419		87,934
Other employee benefits		142,721		129,937
State and district assessments		115,894		111,061
Capital outlays		2,683		393
Debt Service		115,769		120,938
Total expenditures		<u>1,895,421</u>		<u>1,758,811</u>
Excess(deficiency) of revenues over expenditures		17,300		65,377
Other financing sources (uses):				
Operating transfers in		23,529		17,000
Payments to escrow agent to refund debt		(1,025)		(511)
Transfers from component units		-		-
Transfers to component units		-		-
Total other financing sources		<u>22,504</u>		<u>16,489</u>
Net change in fund balance		39,804		81,866
Fund balance - beginning		573,220		491,354
Fund balance - ending	\$	<u><u>613,024</u></u>	\$	<u><u>573,220</u></u>

## Fund Structure and Use

The accounts of the City are organized on a fund basis. Each fund is considered to be a separate accounting entity and complies with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

The City has four governmental funds. The General Fund, the Special Revenue Fund, the Capital Projects Fund and all non-major governmental funds in an "Other" category.

The General Fund is the only fund for which a budget is legally adopted and is used to account for all revenues, expenditures and other financial resources except those required to be accounted for in other funds.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. This fund accounts for a number of federal and state grants that provide additional support to department programs. It also accounts for money that has been set aside by state statute and can also be used to support the City's general fund operations. The Capital Projects Fund accounts for financial resources, primarily from the issuance of bonds, used for the acquisition or construction of major capital facilities.

Proprietary Funds are used to show activities that operate more like those of commercial enterprises (Enterprise Funds). Both the Convention Center Fund and the Hospital Bond Fund were established for activities related to bonds for which revenue streams have been pledged as security repayment.

Fiduciary Funds are used to account for resources held for the benefit of parties outside City government and are not available to support the City's own programs. The City's fiduciary funds are the Employee Retirement Funds and Private Purpose Trust Funds.

The City's operating budget is also supported by available governmental funds transferred and appropriated from three available funds. The City appropriates yearly parking meter revenues (Special Revenue Fund) to support the Transportation Department, cemetery trust

monies (Other Governmental Funds) to support the City's maintenance of its public cemeteries, and surplus property disposition proceeds (Capital Projects Fund) to fund a risk retention reserve and the City's "Leading the Way" affordable housing initiative. Figure 2 provides a history, as well as projected changes in fund balances for the available funds used to support the City's operating budget.

Additional discussion of these revenue sources used to support the operating budget can be found in the Summary Budget section.

### Parking Meter Fund

Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Ending Year Balance
FY00	19.369	(5.031)	8.243	22.582
FY01	22.582	(6.677)	7.923	23.828
FY02	23.828	(2.790)	8.821	29.859
FY03	29.859	(10.000)	5.905	25.764
FY04	25.764	(1.000)	12.227	36.991
FY05	36.991	(3.500)	9.314	42.805
*FY06	42.805	(10.000)	9.500	42.305
*FY07	42.305	(10.000)	9.500	41.805

Notes: (\$millions), \*projected

### Cemetery Trust Fund

Fiscal Year	Beginning Year Balance	Funds Out	Funds In**	Ending Year Balance
FY00	12.163	(1.724)	3.179	13.618
FY01	13.618	(1.678)	1.301	13.240
FY02	13.240	(1.778)	-0.678	10.784
FY03	10.784	(1.849)	1.541	10.476
FY04	10.476	(1.932)	2.728	11.271
FY05	11.271	(2.029)	1.539	10.781
*FY06	10.781	(2.110)	1.600	10.271
*FY07	10.271	(2.225)	1.700	9.746

Notes: (\$millions), \*projected, \*\*Includes appreciation

### Surplus Property Disposition Fund

Fiscal Year	Beginning Year Balance	Funds Out	Funds In	Ending Year Balance
FY00	33.909	0.000	0.191	34.100
FY01	34.100	0.000	8.474	42.574
FY02	42.574	0.000	13.300	55.874
FY03	55.874	(13.000)	0.000	42.874
FY04	42.874	0.000	7.500	50.374
FY05	50.374	(6.650)	0.000	43.724
*FY06	43.724	(9.226)	0.000	34.498
*FY07	34.498	(13.331)	0.000	21.167

Notes: (\$millions), \*projected



## Capital Planning





## OVERVIEW OF CAPITAL PLANNING

Boston's five-year \$1.3 billion capital plan, "Together, We CAN," is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to deliver necessary municipal services efficiently.

The program name "Together, We CAN" reinforces the ideas that "Cities Are Neighborhoods" and that the capital plan is a strategic tool shaped by many hands and designed to enhance the livability of a city that draws strength from its neighborhoods.

The Office of Budget Management (OBM) is responsible for managing the City's capital plan and budget. OBM coordinates the evaluation of capital requests, forecasts the timing and financial requirements of new construction and rehabilitation, and recommends the allocation of current and future resources by monitoring capital expenditures.

### Capital Planning Process

Capital needs and resource availability are assessed annually through a capital planning process that results in a five-year capital plan. The first year of the spending plan is considered the City's capital budget. Expenditures against this budget are closely monitored. To emphasize the balance between needs and resource availability, the budget document (in Volumes II and III) includes both capital authorizations and expenditure projections for each project.

The annual capital planning process begins with a capital improvement project request schedule where all departments have an opportunity to identify their facility, equipment, infrastructure, and planning needs in a systematic manner and to forward their proposals to OBM for funding consideration. The development of department project requests may involve both internal assessments of current needs as well as a review of external constituent requests.

The departmental requests must be comprehensive and meet a threshold criteria established each year. Project requests include cost estimates, descriptions of the proposed scope of work, useful life statements, and project justifications related to the primary criteria.

The total cost of a proposed project must account for its short-term and long-term effect on the City's operating budget. Accordingly, project requests must include information describing the proposed project's anticipated effect on personnel, utilities, maintenance, and supply costs as well as expected changes in service demand or delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation and energy efficiency projects (e.g. heating system upgrades or roof and window replacements) provide operating budget savings. OBM works with departments to measure these savings.

All capital improvement projects requesting funding consideration had to meet at least one of the following threshold criteria:

- Complies with Americans with Disabilities Act (ADA);
- Improves health and safety;
- Supports economic development;
- Enhances general government effectiveness;
- Mitigates an environmental hazard;
- Responds to a legal, legislative or administrative mandate; or
- Preserves existing municipal facilities.

OBM reviews submissions to determine the extent to which private purposes or benefits exist for each project, a process that allows the City of Boston to maintain its tax-exempt financing status.

New capital requests that are recommended for funding are placed into a multi-year spending plan along with projects previously authorized. The mayor submits the capital plan to the city council each year. The city council, in turn, holds public hearings to consider project authorizations. This year's capital plan

identifies 479 new and continuing projects and proposes \$114.2 million in new project authorizations.

### **Financing the FY07-FY11 Capital Plan**

Financing for the capital plan comes from General Obligation bonds, state and federal funds, trust funds, and other funds. These sources are described below.

#### **General Obligation (G.O.) Bonds**

General obligation bonds represent 67.0% of all project funding. This year's plan assumes \$500 million in new general obligation borrowings over the next five years to support ongoing capital needs.

#### **State and Federal Funds**

Funds for capital financing are currently estimated at \$193.5 million from state programs and \$129.6 million from federal programs. Specific financing programs provide key resources for Boston's capital plan. Programs include the School Building Assistance program, Chapter 90, the Transportation Improvement Program, and the Massachusetts Water Pollution Abatement Trust.

**School Building Assistance Program:** The School Building Assistance (SBA) program, administered by the Massachusetts School Building Authority, is an important revenue source for school renovation and construction. In July 2000, the State legislature repealed the former school building assistance program and enacted Chapter 70B of the General Laws. The reimbursement rates under Chapter 70B range from 50% to 90%.

In July 2004, the Governor signed into law an act creating the Massachusetts School Building Authority (MSBA) which replaced the state Department of Education as the manager of the SBA program. The Authority assumed responsibility for the payment of existing SBA program commitments and will review and prioritize future project requests, although at a lower range of reimbursement rates (40%-80% rather than 50%-90%). No new project requests will be accepted until July 2007. Reimbursements for projects previously approved will continue on existing schedules. Projects on the SBA priority waiting list will receive lump-sum payments from the state by FY09.

In January 2006, the City received a lump-sum payment totaling \$93.7 million from the MSBA for approved project costs for three of the four City of Boston schools on the priority waiting list. The City applied this payment towards the debt service due on notes issued

### **Highlights of the FY07-11 Capital Plan**

#### **Invest in Infrastructure**

##### **Public Works**

Beacon Street  
Citywalks  
Road Resurfacing and Reconstruction  
Traffic Signal and Safety Zone Improvements

##### **Boston Center for Youth & Families**

Roslindale Community Center Construction  
Hyde Park Community Center Construction  
Replace Roofs at Three Community Centers  
Curley Community Center

##### **Library Department**

New Grove Hall Branch Library  
New Mattapan Branch Library  
New Roofs at Seven Branches  
McKim Phase II D

##### **Parks and Recreation Department**

New Play Equipment  
Ball Field and Playing Court Renovations  
New Synthetic Turf Fields at East Boston  
Memorial Park, Charlestown High School,  
Ceylon Park and Noyes Playground

#### **Invest in Education**

Burke High School Addition  
Cleveland School  
Hemenway School  
Dearborn School  
Quincy Upper Pilot School  
Russett Road School  
School Yard Improvements

#### **Promote Public Safety & Public Health**

Fire Trucks  
New Fire Training Simulator  
New Charlestown Police Station  
Renovation Work at 2 Police Stations  
Critical Repairs at various locations  
Infrastructure Improvements at Long Island

#### **Support Neighborhood Development**

Crossroads Initiative  
Dorchester Avenue  
New Dudley Square Office Building  
Harborwalk  
Maverick Gardens  
Neighborhood Business Districts Improvements  
Strand Theater Improvements

previously by the City to finance the projects and which came due on February 1, 2006. Construction has been completed on all three schools. The City expects to commence construction on the fourth project on the MSBA priority list, Burke High School, in the near term, and is currently in negotiations with the MSBA regarding the timing and manner in which grant payments will be made to reimburse project costs. For the period FY07-11 total payments from the state are estimated at \$71.4 million.

**Chapter 90 Funds:** Administered by the Massachusetts Highway Department, Chapter 90 funds are allocated by formula through state bond authorizations and through the state budget to all cities and towns in the Commonwealth. Based on current allocations, \$8.5 million in Chapter 90 funds have been provided annually.

**Transportation Improvement Program (TIP):** The Transportation Improvement Program is a statewide road and bridge construction advertisement program developed under the management of the Commonwealth of Massachusetts Executive Office of Transportation and Construction (EOTC). It includes both locally owned roads and bridges as well as state owned roads and bridges. The TIP's funding sources include state issued general obligation bonds and federal funds made available through the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA LU). SAFETEA LU is authorized by Congress through federal fiscal year FY09. State departments including the Massachusetts Highway Department (MHD), the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Turnpike Authority (MTA) use the TIP to manage the bidding and awarding of state construction projects.

**Massachusetts Water Pollution Abatement Trust (MWPAT):** The Massachusetts Water Pollution Abatement Trust is a statewide revolving fund that addresses necessary environmental actions outlined in the federal Clean Water Act. \$13.4 million was included in an October 1999 MWPAT bond issue to cap the former Gardner Street landfill as a non-point source of water pollution and to create Millennium Park. Boston will repay the MWPAT for these essentially zero interest bond funds over twenty years.

#### **Trust Funds**

The City's Treasury Department manages trust funds and bequests from private citizens dedicated to Boston's public spaces. Grants from the Edward

Ingersoll Browne Trust Fund have been used for the restoration of neighborhood parks, schoolyards, and public spaces. The George Robert White Fund is used to support facilities owned by the Fund.

#### **Other Funds**

The City uses funds including the Street Opening Account and Surplus Property Fund to finance capital projects. Private donors also provide some funding for capital projects. These sources of capital financing are currently estimated at \$111.2 million.

#### **Expenditures**

Capital expenditures totaled \$91.3 million in FY05. Expenditures include \$65.7 million for general obligation bond spending, \$25.1 million from various grants and other sources, and approximately \$511,000 to complete three school construction projects. School projects completed or underway included the reopening of the Winship School and a major renovation to the Holland School. The City has completed or nearly completed work at eight branch libraries that began in FY04. The Parks Department continued its program of replacing playlot equipment and refurbishing ball fields and playing courts. In addition, the City acquired an industrial building located in West Roxbury for use as a collection storage facility for the Boston Public Library and the City of Boston Archives and Records Management Center. Once renovated, the facility will enable the City to consolidate its materials collection and public records that are currently stored at multiple sites.

Total capital expenditures in FY06 are forecast at \$107.3 million. The estimate includes \$93 million for general obligation bond spending and \$12.2 million from various grant programs, including Chapter 90. The Dearborn School received extensive masonry repairs this past year. The Holland School remained closed as the first phase of major renovations was completed and the second phase began. The work will be completed by summer so that the school can reopen in September 2006. In addition, the City renovated the annex buildings at the Dorchester Education Complex for use by TechBoston Academy. Finally, six schoolyard projects, funded in part by Jane's Trust, have been completed as well.

Over twenty park improvements at playlots, ball fields, and playing courts throughout the City are scheduled to be completed in FY06. Artificial turf fields were installed at Madison Park High School and Pagel Playground. The Public Works Department began the



Citywalks program, a three year \$18.3 million effort to improve sidewalks and streets across the City.

Total capital expenditures in FY07 are forecast at \$128 million. This estimate includes \$100 million for general obligation bond spending and \$28 million from various grant and other sources including Chapter 90, the Surplus Property Fund, and the School Building Assistance Program.

The Burke High School project will begin construction by this summer and will be completed in approximately two years. The project includes a new branch library incorporated into a building addition along with a new gym and an expanded cafeteria. Preliminary analysis will begin this year to evaluate reuse options for the current library building in Grove Hall.

The Crossroads Initiative is a \$55 million multi-year program of street improvements that will improve connections among the many neighborhoods surrounding the Rose Kennedy Greenway. It will make it possible to move easily from the harbor and the South Boston waterfront to the Financial District; from Chinatown to the Leather District and Fort Point Channel, and from the North End to the West End and the Bulfinch Triangle.

The Public Works Department will continue the engineering work necessary to cap the final portion of the Gardner Street landfill and rebuild the high school football field and track that are currently on the site. Renovation work will begin at two police stations before the end of the calendar year while a renovation of the Strand Theater will begin in early 2007.

Planned G.O. expenditures for the period FY08 through FY11 are expected to remain at \$100 million annually. Future grant expenditures are estimated to total approximately \$29 million in FY08, \$18 million in FY09, and \$15 million between FY10 and FY11. Figure 1 displays total capital spending from all sources since FY04 and projected expenditures through FY11.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, and actively manage its projects to ensure that spending does not exceed projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

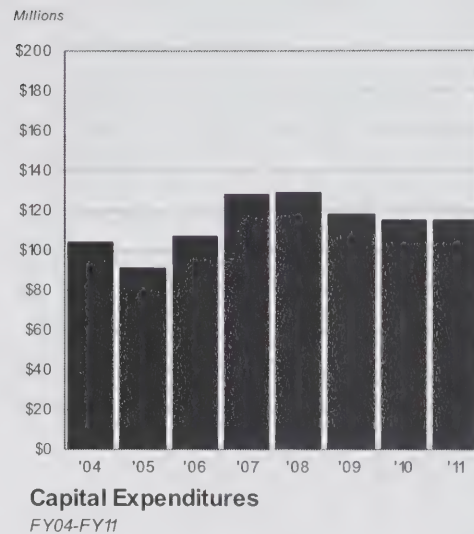


Figure 1

### Operating Budget Impacts

Quantifying operating budget impacts related to proposed capital investments is essential to the capital budgeting process. Beyond the most evident operating budget impact associated with debt service repayment (see the debt management section for more information), many capital projects also impact staffing, maintenance, equipment, and utility budgets. OBM evaluates all proposed capital projects based on their impact on the operating budget. Increased costs are often justified through improved or expanded service delivery, or are unavoidable due to legal mandates or regulatory requirements. Cost savings are often realized through operational consolidations, reduced maintenance, energy savings, or other efficiencies. OBM requires that each departmental capital funding request be submitted with operating budget impact analysis. In addition, capital project design standards for materials are established with the assumption that preventative maintenance may be constrained by operational resources.

The capital plan supports investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems, and energy inefficiency. A substantial portion of the plan is focused on basic facility repairs such as roof replacements, new window installations, heating and cooling system updates, and the renovation of parks, playgrounds, play lots, playing courts, and ball fields.



In FY07, the School Department will begin a renovation project at the Cleveland School in Dorchester. This renovation project will allow the Boston Harbor Academy School to relocate from its current leased space, which currently costs \$350,000 per year. The School Department will also renovate two former school buildings and reopen them. The Russett Road building in West Roxbury will reopen in September 2007. The Hemenway School in Hyde Park will be ready to open in September 2008. The School Department's net operating costs will increase as a result of these decisions.

The capital project to create a consolidated archive center for the Boston Public Library and the City of Boston Archives and Record Management Center has several operating budget impacts. In FY05 the City acquired 138,000 square feet of office and warehouse space located at Rivermoor Street in West Roxbury. This building acquisition will allow the City to consolidate its collections management operations, currently housed in multiple City-owned buildings and privately-owned locations. In the ongoing effort to centralize building operations and maintenance, the care, custody, and control of the Rivermoor building has been assigned to the Property and Construction Management Department. The building operation and maintenance costs are currently budgeted centrally in the Property and Construction Management Department, but may be distributed to other operating departments as they begin using the renovated facility. Operation and maintenance costs will be partially offset with lease revenue generated by a non-City tenant temporarily occupying a portion of the building. Planning and design for the proposed fit-out of the Rivermoor facility is currently underway. The proposed building layout will seek to achieve efficiencies by creating shared and flexible spaces incorporating new technologies for storage and retrieval of materials. Regular meetings with involved departments will be required to continually update the short-term and long-term operating budget impacts associated with this project.

The School Department, which has in-house expertise in building systems and energy management, prioritizes capital investment in building systems, both structural and mechanical, that will reduce operating costs. Preventative roof, window, door, and boiler repairs translate into operating budget savings. Preventative repairs and upgrades reduce the ongoing operating costs associated with repeated and emergency repairs

that are expended from the departmental operating budget.

Expanding on a model first established at the School Department, the Property and Construction Management Department in FY06 centralized the management of two additional building automation and energy management systems at Boston City Hall. This centralization has already reduced the energy required to operate these buildings by implementing controlled schedules for adjusting building temperatures and monitoring building conditions.

The City will continue its efforts to implement capital projects that increase energy efficiency. The City of Boston benefits from established relationships in the energy industry developed through the Mayor's Advisory Committee and the creation of an Energy Management Board in FY03. The City of Boston's Integrated Energy Management Plan was finalized in FY06. This plan sets the framework for the Mayor's energy policy and identifies implementation priorities and strategies.

Through the City's integrated energy management plan, two capital projects have been identified. Boston City Hall and the Boston Public Library's central library in Copley Square have undergone comprehensive energy audits. These buildings are eligible for implementation grants from the ratepayer-funded Energy Efficiency Fund, which is administered by Boston's local electric utility company, NSTAR, and approved by the state Department of Telecommunications and Energy (DTE) and Division of Energy Resources (DOER). The audits recommend a range of energy efficiency measures including lighting upgrades and recommissioning. Annual energy savings are estimated at 5.7 million kilowatt-hours for City Hall and over 6.0 million kilowatt-hours at the central library. Implementation of the City Hall project will begin in FY07. Improvements at the central library will begin in FY08.

Investment in an enterprise-wide permitting and licensing system will improve customer service and achieve efficiencies by providing consistent data that can be shared by multiple city departments simultaneously. Beginning in FY07, the Inspectional Services Department will bring multiple business processes online and have a central database for all departmental permitting and licensing. The longer term goal is to move all permitting and licensing functions onto the central system.

## Debt Management Policies and Debt Implications of the Plan

Effective debt management ensures that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes and structure of debt issuance. Long-term debt related to capital investment has two main purposes:

- (1) It finances acquisition, construction, repair, and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) It finances infrastructure improvements to ensure the City's continued growth and safe roadway conditions.

The Treasury Department manages all borrowings according to the City's debt management policies. These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The City's goal is to rapidly repay debt, maintain a conservative level of outstanding debt, and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

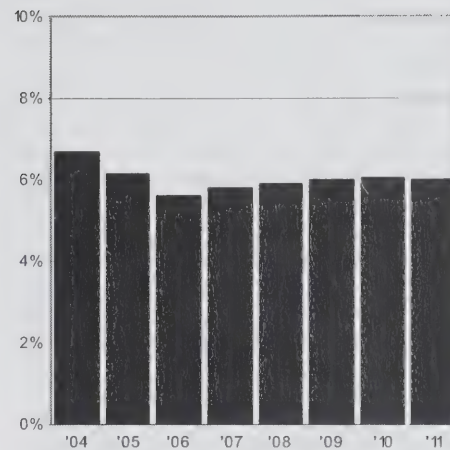
- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs do not exceed 7% of general fund expenditures;
- variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt.

(Please refer to the chapter on Financial Management for further discussion of the City's financial policies and management controls.)

The City's debt service forecast assumes general obligation spending of \$100 million each year from FY07 through FY11. On January 31, 2006, the City issued \$80 million in general obligation bonds. The debt tables at the end of this chapter detail the City's outstanding debt service obligations and demonstrate the City's rapid retirement of its debt.

The City's gross debt service requirement will remain under 7% of total General Fund expenditures throughout the period FY07-11 (See Figure 2).

The ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in



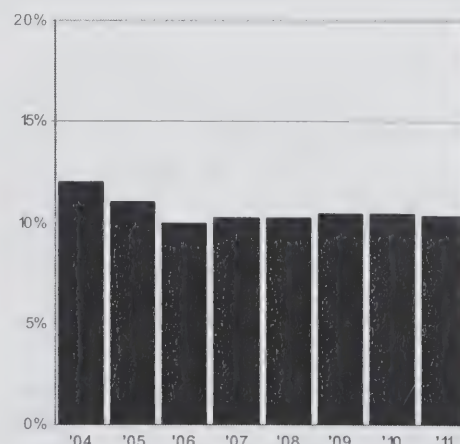
**Gross Debt Service as a Percent of Total General Fund Expenditures**  
FY04 - FY11

Figure 2

the early part of this decade. This ratio is projected to decrease modestly in FY06 and then increase slightly in FY07 (See Figure 3.).

The City's current overall debt burden (net direct debt to assessed property value of \$74.74 billion) is approximately 1.03% as of April 1, 2006. The City's net direct debt per capita currently stands at approximately \$1,350.72 as of April 1, 2006.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt expeditiously.



**Gross Debt Service as a Percent of the Net Property Tax Levy**  
FY04 - FY11

Figure 3

As of April 1, 2006, the City's debt retirement schedule shows that 44.3% of its principal will be retired five years out, before the end of FY11 (See Figure 4). Bond rating agencies have recognized Boston's successful capital investment strategy by upgrading the City's bond rating. In January 2006, Moody's Investors Service, Standard and Poor's Rating Services, and FitchRatings awarded the City with bond credit ratings of Aa1, AA and AA, respectively.

Boston has had eleven general obligation bond sales over the past decade, the most recent of which was for \$80 million on January 31, 2006. The City also has had eight general obligation refunding issues. The most recent refunding issue, on February 1, 2005, achieved significant interest rate savings.

### **Major Capital Projects**

Table 1 lists the major projects being undertaken by the Capital Plan. Descriptions on all 479 projects can be found in Volumes II and III of the Budget. Project descriptions include authorizations and funding sources, projected expenditures, and scope of the project.



Table 1

## Major Capital Projects FY2007 - 2011 Plan

Project	Description	Plan Budget
Crossroads Initiative	The Crossroads Initiative is a multi-year capital program of street improvements that will improve connections among the many neighborhoods surrounding and adjacent to the Rose Kennedy Greenway.	55,000,000
Burke High School	Design and construct an addition that will include a new full service neighborhood branch library and gym. The existing school building will be renovated to include a new cafeteria and general building improvements.	42,625,000
Mattapan Branch Library (New)	Site acquisition, design, construction and furnishings for the development of a new branch library.	16,745,000
Quincy Upper Pilot School	Develop a program to design and renovate the former Boston High School (Lincoln) building and Church Street building to accommodate Quincy Upper Pilot School.	13,000,000
Gardner Street Landfill Phase IA	Design and cap landfill areas at ballfields.	12,550,000
Citywalks	Repair and replace sidewalks and roads in conjunction with the City's annual sidewalk and roadway reconstruction programs over the next three years.	12,000,000
Charlestown Police Station	Design and construct a new neighborhood police station including furnishings and equipment.	11,625,000
201 Rivermoor Street	Renovate building for use as a new Boston Public Library collections storage facility and also for a new City Archives and Records Management Center.	10,000,000
Hemenway School	Renovate facility to reopen as a school building.	9,000,000
Hyde Park Community Center Interior	A complete renovation and reprogramming of the community center including the teen center and kitchen. Upgrades to the gym, office spaces, interior painting, plumbing, heating, masonry work, and fire alarm system.	8,510,000
Pool Repairs	Renovate pools and locker rooms at various BCYF facilities including: Condon, Harborside, Marshall, Murphy, Perkins, and West Roxbury Community Centers.	6,730,000
Shelburne Community Center	Interior and exterior facility repairs and upgrades including: roof, mechanical systems, masonry, windows, athletic facility and interior renovations.	5,700,000
Roslindale Community Center	A complete rehabilitation including upgrades to the gym floor and running track, office space, bathrooms, boiler and controls, gym and interior lights, painting, plumbing, HVAC, and masonry repairs. Reprogram health center space and renovate RMV area.	5,605,000
Dorchester Avenue	Revitalize Dorchester Avenue with roadway improvements.	5,000,000
Strand Theater	Masonry repairs including the portico; repair or replace fire doors, regular doors and windows; paint and plaster; refurbish theater seating; replace boiler; sprinkler and security system work; upgrade exit lighting; upgrade exterior lighting, other work.	4,500,000
Brighton Branch Library	Install emergency lighting and exit signage. Interior renovations include flooring and carpet, window treatment, lighting and signage. Exterior renovations include signage, fences, roof, and retaining walls. Install windows and upgrade HVAC system.	4,190,610
Charlestown High School Field	Renovate the park with artificial turf fields, new play courts, bleachers, track, fencing and other miscellaneous improvements.	3,500,000
Cleveland School Phase 1	Renovation to building addition includes windows, roof, masonry, upgrade of science labs, library, classroom partitions, tiling and administrative space.	3,000,000
Russett Road School	Major renovation to re-open Russett Road school building. Renovation includes masonry, roof and accessibility issues.	2,000,000
Beacon Street Phase II	Install new street light system and related roadway improvements from Gloucester Street to Kenmore Square.	2,000,000
Ceylon Park	Replace existing ballfield with artificial turf, upgrade entrances, improve ballfield lighting and landscaping. Replace concrete stairs.	1,925,000



# Capital Project Financing

Fiscal Years 2007 - 2011

	Existing Authorization	FY07 Authorization	FY08-11 Authorization	State	Federal	Other	Trust	Total
Boston Center for Youth and Families	14,925,040	16,757,250	25,140,700	0	0	0	0	\$56,822,990
Boston Redevelopment Authority	8,524,300	0	0	1,257,000	0	0	0	\$9,781,300
Environment Department	2,615,000	0	500,000	0	255,000	25,000	0	\$3,395,000
Fire Department	16,290,198	5,100,000	18,042,150	0	0	0	0	\$39,432,348
Library Department	28,087,452	250,000	31,860,000	1,180,000	0	2,155,000	0	\$63,532,452
Management Information Services	7,366,925	0	4,050,000	0	0	1,010,000	0	\$12,426,925
Neighborhood Development	16,705,600	0	345,000	0	0	0	0	\$17,050,600
Parks and Recreation Department	44,247,991	9,144,000	20,579,600	32,593,894	40,800,000	11,792,110	115,000	\$159,272,595
Police Department	19,480,750	18,289,250	4,590,000	0	0	0	0	\$42,360,000
Property and Construction Management Department	66,031,913	4,275,000	29,963,000	0	0	8,750,000	0	\$109,019,913
Public Health Commission	889,000	250,000	4,800,000	0	0	0	0	\$5,939,000
Public Works Department	109,404,651	24,700,000	91,230,583	158,464,036	88,595,253	74,117,250	0	\$546,511,773
School Department	110,187,844	34,475,000	83,981,700	0	0	13,400,000	0	\$242,044,544
Transportation Department	9,617,093	1,000,000	0	0	0	0	0	\$10,617,093
<b>Total</b>	<b>454,373,757</b>	<b>114,240,500</b>	<b>315,082,733</b>	<b>193,494,930</b>	<b>129,650,253</b>	<b>111,249,360</b>	<b>115,000</b>	<b>1,318,206,533</b>

# CITY of BOSTON

## DEBT SERVICE PAYMENTS on GENERAL OBLIGATION BONDS

@ April 1, 2006

- Stated in Five Year Intervals -  
(\$ in thousands)

DATE of ISSUE	AMOUNT ISSUED	@ 4/1/06:		FY'06 through FY'11		FY'12 through FY'16		FY'17 through FY'21		FY'22 through FY'26		@ 4/1/06:	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
January 31, 2006	80,000	31,175	15,259	20,550	9,442	15,650	4,795	12,625	1,575	80,000	31,071	80,000	31,071
February 1, 2005	R 52,775	14,510	12,910	35,020	6,180	3,245	177	0	0	52,775	19,267	52,775	19,267
February 1, 2005	75,000	24,720	13,177	19,875	8,065	14,640	3,888	10,640	1,064	69,875	26,194	69,875	26,194
April 1, 2004	R 42,330	27,130	3,957	3,345	84	0	0	0	0	30,475	4,041	30,475	4,041
February 1, 2004	R 35,870	26,530	5,755	8,050	1,013	0	0	0	0	34,580	6,768	34,580	6,768
February 1, 2004	65,000	18,660	11,296	16,890	6,739	14,140	3,268	7,710	646	57,400	21,949	57,400	21,949
February 1, 2003	R 28,515	14,335	4,594	10,580	1,078	0	0	0	0	24,915	5,672	24,915	5,672
February 1, 2003	25,000	6,500	4,393	6,300	2,907	6,000	1,467	2,400	180	21,200	8,947	21,200	8,947
February 1, 2003	33,500	4,700	7,176	7,955	5,803	12,420	3,541	6,575	500	31,650	17,020	31,650	17,020
February 1, 2003	75,000	22,395	11,810	18,390	7,092	14,150	3,131	4,900	368	59,835	22,401	59,835	22,401
November 15, 2002	R 43,070	16,115	1,693	0	0	0	0	0	0	16,115	1,693	16,115	1,693
August 15, 2002	R 48,640	4,370	10,134	27,165	6,470	15,715	1,736	0	0	47,250	18,340	47,250	18,340
February 1, 2002	100,000	28,670	14,479	23,645	8,972	19,560	3,802	3,765	188	75,640	27,441	75,640	27,441
April 1, 2001	R 52,025	21,600	8,106	21,200	2,252	0	0	0	0	42,800	10,358	42,800	10,358
February 1, 2001	120,000	34,450	14,861	23,275	8,357	20,475	3,067	0	0	78,200	26,285	78,200	26,285
February 1, 2000	120,000	24,100	3,284	0	0	0	0	0	0	24,100	3,284	24,100	3,284
MWPAT - October 15, 1999	13,389	3,139	2,212	3,615	1,339	3,300	335	0	0	10,054	3,886	10,054	3,886
October 15, 1998	120,000	20,055	5,327	0	3,019	13,935	894	0	0	33,990	9,240	33,990	9,240
April 15, 1998	15,000	2,385	225	0	0	0	0	0	0	2,385	225	2,385	225
35,900.00	R 62,855	16,120	7,365	17,355	2,005	0	0	0	0	33,475	9,370	33,475	9,370
January 15, 1998	90,000	9,245	2,384	2,605	1,760	5,215	352	0	0	17,065	4,496	17,065	4,496
November 15, 1996	90,000	5,400	270	0	0	0	0	0	0	5,400	270	5,400	270
October 15, 1995	75,000	0	0	0	0	0	0	0	0	0	0	0	0
		376,304	160,667	265,815	82,577	158,445	30,453	48,615	4,521	849,179	278,218	849,179	278,218
			536,971		348,392		188,898		53,136		1,127,397		1,127,397

@ 4/1/06:

% of Total Principal and  
Interest Retired in 5 Years:

44.3% 57.7%

% of Total Principal and  
Interest Retired in 10 Years:

75.6% 87.4%

% of Total Principal and  
Interest Retired in 15 Years:

94.3% 98.4%

% of Total Principal and  
Interest Retired in 20 Years:

100.0% 100.0%

% of Total Principal and  
Interest Retired in 25 Years:

100.0% 100.0%

Note: R = General Obligation Refunding Issuance

## Outstanding Debt by Purpose as of April 1, 2006

	Outstanding @ April 1, 2006	Percent of Total Outstanding Debt
<b>General Purpose:</b>		
Acquisition of Land, Parks and Recreation/		
Outdoor Facilities/Cemeteries/LandFill Areas	72,305,225.14	8.51
Departmental Equipment	15,090,241.13	1.78
Departmental Equipment/Fire Boat Acquisition	92,016.90	0.01
Computer Hardware/Software	14,997,992.46	1.77
Remodeling & Extraordinary Repairs	305,154,272.19	35.93
Constr/Re-Constr Surface Drains, Sewers, etc.	1,001,878.52	0.12
Reservoir Constr/Enlrg/Water Treatment Bldgs	130,965.56	0.02
Engineering and Architectural Services	1,215,363.48	0.14
	409,987,955.38	48.28
<b>Urban Development:</b>		
Economic Development and Industrial Corporation	3,879,354.62	0.46
Urban Redevelopment and Renewal	22,823,886.85	2.68
	26,703,241.47	3.14
<b>Schools:</b>		
Capital Improvements, Act of 1966	0.00	0.00
Capital Improvements, Act of 1973	215,732.07	0.03
Capital Improvements, Act of 1991	23,326,375.46	2.75
Capital Improvements, Act of 1996	28,703,645.99	3.38
Construction of Buildings	21,200,000.00	2.50
School Project Loan, Chapter 70B	56,522,985.86	6.65
	129,968,739.38	15.31
<b>Public Buildings:</b>		
Capital Improvements, Act of 1966	139,156.39	0.02
Capital Improvements, Act of 1973	7,178,798.04	0.85
Capital Improvements, Act of 1991	52,360,195.77	6.17
Capital Improvements, Act of 1996	34,712,137.38	4.09
Construction of Buildings	93,095,351.19	10.95
	187,485,638.77	22.08
<b>Public Works:</b>		
Construction of Bridges	24,898,115.91	2.93
Construction of Public Ways	43,943,374.58	5.17
Construction of Sidewalks	12,048,083.40	1.42
Traffic Signals, Public/Street Lighting, Fire Alarms	14,143,804.76	1.67
	95,033,378.65	11.19
<b>GRAND TOTAL =</b>	<b>849,178,953.65</b>	<b>100.00 %</b>

<p align="center"><b>RATE of PRINCIPAL RETIREMENT on GENERAL OBLIGATION BONDS:</b></p>
--

**Fiscal Years Ending June 30, 2006 - 2026**

**@ April 1, 2006**

<u><b>Fiscal Year Ended June 30,</b></u>	<u><b>Amount</b></u>	<u><b>Percentage of Total Principal Amount Retired:</b></u>
<b>@ 4/1/06:</b>		
2006 - 2011	376,303,954.00	44.31 %
2012 - 2016	265,815,000.00	31.30 %
2017 - 2021	158,445,000.00	18.66 %
2022 - 2026	48,615,000.00	5.73 %
	<u>849,178,954.00</u>	<u>100.00 %</u>

**Figure 4**



## Gross Debt Service Requirements - Bonded Debt:

	Actual FY05	Projected FY06	Projected FY07	Projected FY08	Projected FY09	Projected FY10	Projected FY11
Total Principal:	85,425,488	77,146,592	82,875,539	86,052,086	91,942,660	96,313,669	99,120,000
Total Interest:	37,933,693	38,004,780	41,676,230	44,186,602	45,827,994	47,426,004	48,411,409
(1) Total	<b>\$123,359,181</b>	<b>\$115,151,372</b>	<b>\$124,551,769</b>	<b>\$130,238,688</b>	<b>\$137,770,654</b>	<b>\$143,739,673</b>	<b>\$147,531,409</b>

## Less Revenue Deemed Available from Related Sources:

Boston Medical Center	1,766,791	918,855	773,544	631,895	752,601	735,912	721,834
Boston Public Health Commission	1,156,990	731,770	709,398	553,771	681,246	673,203	670,790
Water and Sewer Payments	0	0	0	0	0	0	0
Gardner Street Landfill Subsidy	554,594	542,030	524,894	516,522	492,351	483,701	439,687
(2) Irrigation Project	278,102	273,154	267,875	317,909	307,981	299,071	290,160
(3) 1010 Massachusetts Avenue Project	1,486,053	1,532,226	1,622,576	1,673,937	1,723,878	1,776,615	1,829,787
Accrued Interest	335,939	0	472,340	100,000	100,000	100,000	100,000
Premium	3,879,494	0	4,045,723	3,795,492	100,000	100,000	100,000

## Plus: Interest on Temporary Loan Notes and Other Items:

Revenue Anticipation	1,536,750	2,423,602	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cost of Issuance	72,301	500,000	500,000	500,000	500,000	500,000	500,000
(4) School B.A.N.'s	2,892,500	2,892,500	0	0	0	0	0
Total Debt Service/Budget Summary:	<b>\$118,402,769</b>	<b>\$116,969,439</b>	<b>\$119,635,420</b>	<b>\$126,149,162</b>	<b>\$137,112,597</b>	<b>\$143,071,171</b>	<b>\$146,879,150</b>

## Additional Adjustments:

Less:

(4) School Construction Assistance	16,144,882	109,153,226	15,136,370	15,020,329	14,507,239	14,264,780	12,466,104
(5) Room Occupancy Excise Fund	8,272,150	8,268,150	8,270,113	8,268,938	8,269,363	8,270,863	8,272,663

Plus:

(5) Convention Center Special Obligation Bonds	8,272,150	8,268,150	8,270,113	8,268,938	8,269,363	8,270,863	8,272,663
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Total Net Debt Service Requirements:	<b>\$102,257,887</b>	<b>\$7,816,213</b>	<b>\$104,499,051</b>	<b>\$111,128,833</b>	<b>\$122,605,358</b>	<b>\$128,806,391</b>	<b>\$134,413,046</b>
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## NOTES:

- (1) FY06 - On January 1, 2006, the City issued \$80 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.53%.
- Assumptions:  
 FY07 - Assumes General Obligation debt issuance of \$100 million per year, with a 20 year maturity and average interest rate of 5.5%.  
 FY08 through FY11 - Assumes General Obligation debt issuance of \$100 million per year, each with a 20 year maturity and average interest rate of 6.0%.

- (2) Debt Service Costs will be offset by the "Fund for Parks and Recreation".

- (3) Debt Service Costs will be offset by charging City departments for the space they occupy.

- (4) On February 1, 2002, the City issued \$62 million in Bond Anticipation Notes with a 4 year maturity and an interest rate of 3.5%.  
 On February 1, 2003, the City issued \$34 million in Bond Anticipation Notes with a 3 year maturity and an interest rate of 2.125%.  
 The BANs were issued to finance the construction costs of three schools: Orchard Gardens K-8, New Boston Pilot/Middle and Mildred Avenue Middle schools; both BAN's matured on February 1, 2006.  
 On January 30, 2006, the Massachusetts School Building Authority awarded the City \$93,689,541 to offset the payment of the BAN's debt service due on February 1, 2006.

- (5) On April 15, 2002, the City issued \$116.9 million in Special Obligation Bonds for the Convention Center with a 25 year maturity and an average interest rate of 4.83%. Pledged revenues will be dedicated to the repayment of the debt service.





# Statutes and Ordinances





# Statutes and Ordinances

## Governing Boston's Operating and Capital Budgets

This section summarizes key Massachusetts laws and City ordinances affecting Boston's operating budget development and its subsequent expenditure. It also covers significant laws and ordinances governing general obligation loan authorization. Although the material is not all-inclusive, it covers the more important laws guiding the budget process.

In addition to the statutes and ordinances, other budget-related directives are set out in various mayoral Executive Orders and in the policies and administrative guidelines issued by the Office of Budget Management.

Two pieces of legislation important to understanding the City of Boston's operating budget are Chapter 190 of the Acts of 1982, commonly referred to as the Tregor legislation, and Chapter 701 of the Acts of 1986, known as the Tregor Amendments.

### **Annual Appropriation Process**

Section 15 of Chapter 190 of the Acts of 1982, as amended by Section 2 of Chapter 701 of the Acts of 1986, states that "all appropriations, excepting those for school purposes, to be met from taxes, revenue or any source other than loans, shall originate with the mayor. The mayor, not later than the second Wednesday in April of each year, shall submit to the city council the annual budget of the current expenses of the city and county for the forthcoming fiscal year....

"The city council may reduce or reject any item but, except upon the recommendation of the mayor, shall not increase any item in, nor the total of, a budget nor add any item thereto, nor shall it originate a budget.

"Not later than the second Wednesday in June, the city council shall take definite action on the annual budget by adopting, reducing or rejecting it, and in the event of their failure to do so, the items and the appropriation orders in the budget

as recommended by the mayor shall be in effect as if formally adopted by the city council...

"The city council shall take definite action on any supplementary appropriation order and any order for a transfer of appropriations by adopting, reducing or rejecting it within sixty days after it is filed with the city clerk..."

### **School Department Budget Process**

Section 6 of Chapter 70 of the Massachusetts General Laws states that "in addition to amounts appropriated for long-term debt service, school lunches, adult education, student transportation, and tuition revenue, each municipality in the commonwealth shall annually appropriate for the support of public schools in the municipality and in any regional school district to which the municipality belongs an amount equal to not less than the sum of the minimum required local contribution, federal impact aid, and all state school aid and grants for education but not including equity aid, for the fiscal year...the commissioner (of the Department of Education) shall estimate and report such amounts to each municipality and regional school district as early as possible, but no later than March first for the following fiscal year..."

Section 2 of Chapter 224 of the Acts of 1936, as amended by Chapter 613 of the Acts of 1987, further states that "(a) In acting on appropriations for educational costs, the city council shall vote on the total amount of the appropriations requested by the mayor, but neither the mayor nor the city council shall allocate appropriations among accounts or place any restriction on such appropriations. The appropriation of said city shall establish the total appropriation for the support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation; provided, however, that if the city auditor determines that school department

expenditures in any fiscal year are projected to be in excess of total budgeted expenditures for that fiscal year, as supported by appropriation and other available funding, then the school committee shall not reallocate or transfer funds from any item in the budget for that fiscal year to fund any such projected additional expenditures.

“(b) After the fourth Wednesday of March of any fiscal year, the school committee shall not initiate or authorize any new or additional programs or categories of expenditures requiring additional unbudgeted expenditures unless such programs or categories have been incorporated and fully funded in the budget for the subsequent fiscal year. If such programs or categories have not been incorporated and fully funded in the budget for the subsequent fiscal year, they shall not be initiated or authorized until the school committee shall have amended its budget submission for the subsequent fiscal year to reduce or eliminate other costs, programs or categories in amounts equal to the projected annualized costs of the new or additional programs or categories of expenditures.

“(c) The superintendent of schools shall prepare and submit to the school committee, the city auditor and the city office of budget management, a monthly budget update report which shall detail and itemize year-to-date and projected school department expenditures and budget transfers...”.

### **School Department Financial Affairs**

Section 1B231 of Chapter of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987, notes that “(a) the school committee may delegate, in whole or in part, to the superintendent of schools the authority to approve for the school department the acceptance and expenditure of grants or gifts of funds from the federal government, charitable foundations, private corporations, individuals, or from the commonwealth, its counties, municipalities or an agency thereof, the provisions of Section 53A of Chapter 44 of the General Laws notwithstanding.

“(b) The superintendent of schools shall provide to the school committee, the city auditor and the office of budget management of the City of Boston a report, detailing the source, purpose and balance on hand of all funds received or expended pursuant to subsection (a), quarterly.”

Section 2 of Chapter 231 of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987, states that “subject to appropriations therefore, the superintendent of schools shall have the exclusive authority to make on behalf of the school committee contracts, or amendments to contracts, for the purchase or rental of equipment, materials, goods or supplies, leases of property, alterations and repairs of school property, and for professional or other services, with the exception of collective bargaining agreements and contracts for the transportation of students. All school department contracts or amendments to contracts shall otherwise conform to the requirements of the city charter of the city of Boston.

“(b) With respect to all contracts, agreements or amendments thereto made or entered into by the school department, the superintendent shall be responsible for establishing procedures for auditing and monitoring the compliance of the parties with the terms and obligations of such contracts, agreements or amendments thereto.”

### **Reserve Fund**

Section 7 of Chapter 701 of the Acts of 1986, requires the creation of an operating budget Reserve Fund to deal with “extraordinary and unforeseen expenditures.” This section requires that “prior to the date when the tax rate for a fiscal year is fixed, [the City must] include in the appropriations for such a fiscal year as a segregated reserve fund a sum not less than 2 1/2 percent of the preceding year’s appropriations for city and county departments, excepting the school department...”

“The mayor, with the approval of the city council, may make direct drafts or transfers against such fund before the close of the fiscal year, provided that no such drafts or transfers be made before June first in any fiscal year...”

“Each transfer recommended by the mayor to the city council shall be accompanied by written documentation detailing the amount of such transfers and an explanation of the reason for the transfer...”

The section also notes “the school department shall establish a segregated reserve fund of not less than one percent of the current fiscal year’s appropriations to the school department within

ten days of final approval of such appropriations. No expenditures may be made from this [school department reserve] fund before May first in any fiscal year...and shall require the approval of the mayor and the city council."

### **Budget Allotment Process and Reallocations**

Section 18 of Chapter 190 of the Acts of 1982, as amended by Sections 8 and 9 of Chapter 701 of the Acts of 1986, requires that "on or before August first of each year, or within ten days of the annual appropriation order for such fiscal year, whichever shall occur later, the city or county officials in charge of departments or agencies, including...the school department, shall submit to the city auditor, with a copy to the city clerk...an allotment schedule of the appropriations of all personnel categories included in said budget, indicating the amounts to be expended by the department or agency for such purposes during each of the fiscal quarters of said fiscal year."

The school department's allotment may not be greater than 20 percent for the first quarter and 30 percent in each of the remaining three quarters. Allotments for city and county agencies may not exceed 30 percent for first or second quarters or be less than 21 percent for the third and fourth quarters.

In addition, "whenever the city auditor determines that any department or agency, including the school department, will exhaust or has exhausted its quarterly allotment and any amounts unexpended in previous quarters, he shall give notice in writing to such effect to the department head, the mayor and the city clerk, who shall transmit the same to city council.

"The mayor, within seven days after receiving such notice, shall determine whether to waive or enforce such allotment. If the allotment...is waived or not enforced...the department or agency head shall reduce the subsequent quarter's allotments appropriately and the director of administrative services, within seven days, shall state in writing to the city council and the city clerk what reductions in each subsequent quarter's allotment will be taken or what reallocations or transfers will be made to support the spending level in each subsequent quarter's allotment. If the allotment for such quarter is enforced and not waived, thereafter the

department shall terminate all personnel expenses for the remainder of such quarter...

No personal expenses earned or accrued, within any department, shall be charged to or paid from such department's or agency's allotment of a subsequent quarter without approval by the mayor, except for subsequently determined retroactive compensation adjustments.

"Approval of a payroll for payment of wages, or salaries or other personnel expenses which would result in an expenditure in excess of the allotment shall be a violation by the department or agency head...

"To insure that the overall city and county spending program remains in balance, the mayor may reallocate no more than three million dollars of non-personnel appropriations other than school appropriations during a fiscal year to other departmental purposes provided that in no department from which appropriations have been reallocated in accordance with this section shall any transfers be made...from personal services to non-personal services, except with the approval of a two-thirds vote of city council, if such transfer would require the layoff of departmental personnel, who have been permanently appointed to a position in the department...

"No reallocation may be made under this section after April fifteenth in any fiscal year.

"A list of each reallocation made by the mayor shall be transmitted to the city council and the city clerk by the city auditor by April thirtieth in any fiscal year. In each case, the report shall state the accounts from which the transferred funds were taken and the accounts to which the funds were reallocated, and the reasons therefore."

### **Transfer of Appropriations**

Section 23 of Chapter 190 of the Acts of 1982, as amended by Section 3 of Chapter 701 of the Acts of 1986, states that "after an appropriation of money has been made...no transfer of any part of the money thus appropriated, between such department or office and another department or office, shall be made, except in accordance with and after the written recommendation of the mayor to the city council, approved by a vote of two-thirds of all the members of the city council, provided that the city auditor, with the approval in each instance of the mayor, may make transfers,



other than for personal services, from any item to any other item within the appropriations for a department, division of a department or county office.

"After the close of the fiscal year, the city auditor may, with the approval of the mayor in each instance, apply any income, taxes and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose only of closing the accounts of such fiscal year, provided further that the city auditor within seventy days after the close of the fiscal year, shall transmit to city council and the city clerk a report listing what income, taxes, or funds were applied and what transfers were made and the reasons therefore."

### **Penalty for Overspending Budget**

Section 17 of Chapter 190 of the Acts of 1982 (Tregor) states that "no official of the city or county except in the case of extreme emergency involving the health and safety of the people or their property, shall expend intentionally in any fiscal year any sum in excess of the appropriations duly made in accordance with law, nor involve the city in any contract for the future payment of money in excess of such appropriations..."

"Any official who violates the provisions of this section shall be personally liable to the city for any amounts expended intentionally in excess of an appropriation to the extent the city does not recover such amounts from the person to whom paid..."

### **Appropriation Restrictions**

Section 10 of Chapter 701 of the Acts of 1986, requires that "the mayor and city council shall appropriate for the hospitalization and insurance account an amount not less than the average of the past three years actual expenditures from those accounts. The city auditor shall certify, in writing to the board of assessors that adequate funds are provided in the operating budget for existing collective bargaining contracts..."

Restrictions on the Use of Proceeds from the Disposition Of Surplus Property - Section 24 of Chapter 190 of the Acts of 1982, as amended by Section 4 of Chapter 701 of the Acts of 1986, requires that "proceeds from the disposition of any

surplus property ... shall be deposited in a separate fund which shall be known as the Surplus Property Disposition Fund, and shall be used only as follows: (1) the amount equivalent to the debt incurred, and interest paid or payable thereon, as a result of the acquisition or improvement from time to time of the property shall be used only for purposes for which the city is authorized to incur debt for a period of ten years or more and (2) all proceeds in excess of such amount shall be credited to the capital fund of the city unless the city council by a majority vote determines with the approval of the mayor to credit such proceeds to the general fund of the city."

### **Duties of Supervisor of Budgets**

City of Boston Code Ordinance 5, section 5 states that "the supervisor of budgets shall, under the direction of the mayor and in consultation with the director of administrative services, prepare in segregated form the annual and all supplementary budgets...and shall report to the mayor on all subsequent revisions of the items in any budget..."

"The supervisor of budgets shall also prepare...all transfer orders..."

"The supervisor of budgets shall further prepare...the form of estimate sheets to be used by each officer, board and department, and each division of a department for which the city appropriates money, and the form of monthly report of such officer, board and department, and each division thereof, showing expenditures to date of all appropriations by item.

"The supervisor of budgets shall, in addition, have the powers and perform the duties conferred or imposed on the budget commissioner by any statute other than Section 56 of Chapter 35 of the General Laws."

### **Convention Center Legislation**

Chapter 152 of the Acts of 1997, the Convention Center Legislation, authorized the development and construction of a convention center in Boston.

Under this legislation and through the joint efforts of the Boston Redevelopment Authority (BRA) and Massachusetts Convention Center Authority (MCCA), the new Boston Convention and Exhibition Center (BCEC) has been developed



and constructed on a 60-acre site in South Boston. The facility, which opened in June 2004, includes 516,000 square feet of contiguous exhibition space in addition to ballrooms, meeting rooms, banquet, and lecture halls.

The enabling law authorizes the Commonwealth to borrow up to \$609.4 million for facility construction and the City to borrow up to \$182.8 million for acquisition and preparation of the land. The state funds its share of expenses through several sources, including a convention center financing fee from hotel rooms; meals, beverage and sales taxes; sightseeing vehicle surcharges, and vehicle rental surcharges (\$10 each, of which \$1 is earmarked for Boston).

Boston's expenses are funded through a Room Occupancy Excise Fund. The City earmarks the four-percent excise from new hotels that opened on or after July 1, 1997, a \$1 surcharge for vehicle rentals as part of the state surcharge and new taxi medallion sales for the fund.

Since the opening of the BCEC, Boston has become a major competitor for larger international and national convention and exhibition business. Consequently, tourism-related businesses are expanding, thereby encouraging secondary spending for transportation services, recreation, entertainment, hotels, restaurants, and retail stores. The ultimate economic benefit will be new jobs, new businesses, and new investment opportunities, resulting in an improved quality of life for Boston residents.

### **Boston Jobs and Living Wage Ordinance**

Chapter 5 of the Ordinances of 1997, as amended by Chapter 3 of the Ordinances of 1998 and Chapter 8 of the Ordinances of 2001, is the Boston Jobs and Living Wage Ordinance. This ordinance requires companies and organizations with city service contracts of \$25,000 or more to pay all workers a living wage of at least \$11.57 an hour, and beginning July 1, 2006, \$11.95 an hour. (The hourly wage is to be adjusted every July 1 according to the formula contained in the ordinance.)

The intent of this ordinance is to balance a decent wage for the working poor with economic development in the business community. By raising the wage level, it is expected that consumer income will increase, poverty levels will decrease, neighborhood businesses will be

invigorated, and the need for taxpayer-funded social programs will decline. The living wage level, higher than the federal minimum wage, is designed to meet the needs of a family of four to live at or above the federal poverty level.

This ordinance applies to for-profit and non-profit companies with 25 employees or more.

Exemptions to this ordinance include school-to-work programs, summer youth programs, seasonal or part-time work, or where compliance would result in extreme hardship.

### **Contracting Procedures**

Chapter 262 of the Acts of 1998, as amended, states that all contracts made by any department of the City of Boston having power to incur such obligations where said obligations are to be paid for wholly from the City's treasury, shall, when the amount involved is \$25,000 or more, be in writing and be approved by the mayor.

### **Pension Funding Changes**

To aid municipalities dealing with property tax reduction due to Proposition 2 ½, the state began assuming the cost for local pension COLAs as of 1981. During the FY97 budget process, the state clearly stated it would not fund local pension COLAs in subsequent years. The state, however, remains obligated to pay for local pension COLAs awarded between FY81 and FY97.

The impact of assuming the funding for COLAs granted after FY98 increased the unfunded pension liability of the State-Boston Retirement System (SBRS) by approximately \$200 million. (The unfunded pension liability is amortized and paid for over the course of a long-term funding schedule.)

There are several items that the SBRS is asked to take into consideration before it votes on an annual COLA increase. They are:

1. Whether the SBRS rate of return on assets during the previous calendar year was less than the assumed rate of return in its funding schedule;
2. Whether for a majority of the City's union members no collective bargaining increases have been awarded during the current fiscal year;

3. Whether the property tax levy in the last state-approved property tax rate has been restricted or reduced due to the net effective property tax rate hitting the property tax rate ceiling of 2.5% of total taxable value;
4. Whether the City's current fiscal year net cherry sheet aid (cherry sheet aid minus cherry sheet state assessments) has been reduced;
5. Whether the City shows a deficit in the most recent completed fiscal year for the budgetary basis operating budget.

The COLA is set each year at the CPI or an amount up to, but not greater than 3% on the first \$12,000 of a retiree's annual payment. Locally funded COLA's were approved by the SBRS board for each year from fiscal 1999 through fiscal 2006.

### **Boston Public Health Act of 1995**

The Boston Public Health Act of 1995 (Chapter 147) established a new, comprehensive health care system to meet the challenges of a rapidly changing health care environment. Chapter 147 abolished the Department of Health & Hospitals and established the Boston Public Health Commission (BPHC) in its place. With City Council approval, the legislation allowed the City to merge or consolidate the operations and assets of the hospitals with the Boston University Medical Center Hospital.

The law requires the City to set the budget equal to the amount, if any, by which the projected expenditures exceed revenues and the net cost of public health services. If there is a net cost of public health services, the budget is subject to mayoral review and approval. The mayor may approve or reject and return the budget to the BPHC. If the budget is accepted, the mayor shall include the net cost of public services in the City's annual budget and may submit supplementary appropriations as needed. The BPHC must adopt its budget no later than the second Wednesday in June.

### **Classification of City Debt**

Pursuant to the Bond Procedure Act of 1983, all indebtedness of the City, other than certain

special obligation bonds, constitutes general obligation indebtedness of the City for which its full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount. Pursuant to the 1982 Funding Loan Act and the Bond Procedure Act of 1983, general obligation bonds of the City may also be secured by a pledge of specific City revenues pursuant to covenants or other arrangements established under a trust or other security agreement. In addition, special obligation bonds of the City may be issued and be payable from and secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City. Indebtedness of the City may also be classified by the nature of the City's obligation for the payment of debt service, depending on whether such debt is a direct obligation of the City or is an obligation of another governmental entity for the payment that the City is indirectly obligated.

### **Direct Debt**

Direct debt of the City consists principally of the City's outstanding general obligation bonds for which the City's full faith and credit are pledged and for the payment of which all taxable property in the City is subject to ad valorem taxation without limit as to rate or amount. The City's direct indebtedness does not include special obligation debt which may be secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City or for which the payment of which the City's obligation is subject to annual appropriation.

The City's special obligation indebtedness outstanding as of April 1, 2006 consists of the City's Special Obligation Refunding Bonds of \$127.8 million, Boston City Hospital Issue dated August 15, 2002 issued in order to refund the City's Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage), Series B, dated June 1, 1993 of which \$108.0 million is outstanding as of April 1, 2006, and the Special Obligation Bonds of \$116.9 million Convention Center Loan, Act of 1997 of which \$109.7 million is outstanding as of April 1, 2006. For further discussion of the mechanics of the Special Obligation Refunding

Bonds, please refer to the City's most recent Official Statement dated January 1, 2006.

### **Secured Indebtedness**

In addition to authorizing the City to secure its indebtedness with letters of credit, the Funding Loan Act of 1982, and the Bond Procedure Act of 1983, empower the City to secure any of its indebtedness issued under any general or special law by a pledge of all or any part of any revenues that the City received from or on account of the exercise of its powers. Examples include taxes (such as real property taxes), fees payable to or for the account of the City, and receipts, distributions, and reimbursements held or to be received by the City from the Commonwealth that are not restricted by law for specific purposes. Currently, the City does not have any outstanding bonds secured by such a pledge. The City, however, reserves the right in the future to issue bonds, notes or other obligations secured by various revenues of the City or by letters of credit.

### **Bond Procedure Act of 1983**

In 1983, the City Council passed and the Mayor signed a home rule petition to the state legislature that enacted Chapter 643 of the Acts of 1983 of the Commonwealth. This act, formally entitled the City of Boston Bond and Minibond Procedure Act of 1983, is referred to as the Bond Procedure Act of 1983. In 1984, the legislation modified various procedural restrictions related to the City's issuance of indebtedness. Such modifications provide, among other things, more flexible schedules for repaying debt principal, the issuance of variable rate bonds, term bonds and bonds redeemable at the option of the bondholder, and authorization for the sale of bonds at a discount. The legislation also provides the City with the authority to issue bonds in an amount up to \$5 million in any one fiscal year and notes in an amount outstanding at one time of up to five percent of the prior year's property tax levy. Each bond and note is issued in a denomination less than \$5,000 (known as minibonds and mininotes). In addition, the legislation authorizes the issuance of refunding bonds and grant anticipation notes, as well as restating the investment powers of the City and the extent to which city bonds are legal investments for certain entities.

The Bond Procedure Act of 1983 also reaffirms provisions of state law, indirectly affected by Proposition 2 ½. This law requires that the City's annual tax levy must include the debt and interest charges that are not otherwise provided for as well as all general obligation indebtedness of the City regardless of the date of issue.

In addition to modifications to the procedures related to the City's general obligation indebtedness, the legislation authorizes the City to finance revenue-producing facilities with special obligation bonds payable from and secured solely by a pledge of facility revenues. Under this act, the City may also issue general obligation bonds secured by the pledge of specific city revenues and finance projects that otherwise could be financed by bonds, lease, lease-purchase or sale-leaseback agreements. The Bond Procedure Act of 1983 was amended in August 1991 to provide, among other things, for increased flexibility in establishing debt principal amortization schedules.

### **Authorization of Direct Debt; Debt Limits**

All direct debt of the City requires the authorization of the city council and approval of the mayor. If the mayor should veto a loan order passed by the city council, the charter of the City provides that the loan order is void and may not be passed over the mayor's veto. Authorization of bonds under a loan order of the city council includes, unless otherwise provided in the loan order, the authorization to issue temporary notes in anticipation of such bonds. Under the Bond Procedure Act of 1983, temporary notes in anticipation of bonds, including any renewals thereof, must mature within two years of their issue dates.

The laws of the Commonwealth provide for a statutory debt limit for the City consisting of a debt limit and a double debt limit. The debt limit is 5.0 percent of the assessed valuation of taxable property in the City as last equalized by the state Department of Revenue and the double debt limit is 10.0 percent. The most recent Equalized Valuation ("EQV") of taxable property in the City approved on January 31, 2005 for use until January 30, 2007, or until a new EQV is established by the state legislature, stands at \$76.28 billion. Based on the current EQV, the City's debt limit is \$3.81 billion and its double debt limit equals \$7.63 billion. The City may authorize debt up to its debt



limit without state approval. The City may authorize debt over the debt limit up to the double debt limit with the approval of a state board composed of the State Treasurer and Receiver General, the State Auditor, the Attorney General and the Director of Accounts, or their designees. As of April 1, 2006, the City has outstanding debt of \$608.6 million subject to the debt limit, and authorized but unissued debt subject to the debt limit of \$434.8 million. Based on the City's current debt limit of \$3.81 billion, the City has the capacity to authorize an additional \$2.75 billion of debt as of April 1, 2006.

There are many categories of general obligation debt exempt from the general debt limit (although authorization of such debt is subject to various specific debt limits, specific dollar limitations or state approval). Among others, these exempt categories include temporary loans in anticipation of current and in anticipation of reimbursements or other governmental aid, emergency loans, loans exempted by special laws, certain school bonds, and bonds for housing and urban and industrial development. The latter bonds are subject to special debt limits ranging from 0.5% to 10% of equalized valuation depending on purpose. On April 1, 2006, the City has \$240.5 million in outstanding debt exempt from the general debt limit and \$90.8 million in authorized but unissued debt exempt from the general debt limit.

### **Related Authorities and Agencies**

In addition to direct and indirect indebtedness of the City, the City and certain agencies and commissions related to the City are authorized by law to issue obligations that are solely a debt of the agency or commission issuing the obligations or are payable solely from revenues derived from projects financed by such debt. Except as described below, such obligations are not a debt of the City.

The Boston Public Health Commission is an independent corporate and political subdivision of the Commonwealth created in June 1996 as the successor to the City's Department of Health and Hospitals (DHH). Effective July 1, 1996, all powers and functions of DHH and THH (Trustees of Health & Hospitals) were transferred to the commission. In addition, the commission assumed

all assets and liabilities of the City allocated to DHH. At its inception, the Commission also assumed responsibility for paying the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. Such bonds were outstanding on June 30, 2005 in the aggregate principal amount of \$9.9 million. These bonds are the City's general obligations whose outstanding amount is shown on the City's debt statement. The commission has also assumed responsibility for paying the current debt service on the City's Special Obligation Refunding Bonds dated August 1, 2002 for Boston City Hospital, which were issued to refund bonds that first financed the project in 1993. Such bonds are outstanding on April 1, 2006 in the aggregate principal amount of \$108.0 million.

The Boston Water and Sewer Commission (BWSC) is an independent political and corporate subdivision of the Commonwealth created 1977. At its inception, BWSC assumed responsibility for the operation of the City's water and sewer systems and for paying to the City an amount equal to current debt service on all outstanding bonds the City issued for water and sewer purposes. All debt service for such bonds has been paid. The City is not obligated on bonds issued by the Commission.

The Economic Development and Industrial Corporation of Boston (EDIC) is a political and corporate entity of the Commonwealth consisting of five members who are also appointed as members of the Boston Redevelopment Authority (BRA). EDIC has a variety of powers to assist industrial development projects in the City. EDIC is not authorized to issue debentures in excess of \$5 million secured solely by the credit and properties of EDIC and revenue bonds secured by revenues from the lease or sale of its projects. The City is also authorized to appropriate or borrow monies for EDIC development projects within certain urban renewal debt limitations.

The BRA is a public political and corporate body that combines the City's redevelopment and planning board authority with certain powers of the state Department of Community Affairs. The BRA board consists of four members appointed by the Mayor, subject to confirmation by the City



Council, and one member appointed by the State Department of Community Affairs. The BRA provides the planning support for major construction and redevelopment activity in the City. Although the BRA is authorized to issue revenue bonds and notes that are not city debts, the BRA traditionally finances its projects through a combination of federal and state grants, proceeds of general obligation bonds issued by the City, and revenues from the lease or sale of land.

### **Major Debt Statutes and Borrowing Authority**

Chapter 44, Sections 7 and 8 of the Massachusetts General Laws permits cities and towns in the Commonwealth to incur debt within and outside the statutory limits of indebtedness described previously for various municipal purposes and identifies the maximum maturity period for each purpose. The purposes include, but are not limited to, the original construction and equipping of municipal facilities, repairs and renovations to existing municipal structures, construction and/or reconstruction of water and sewer mains, improvements to parks and playgrounds, reconstruction and resurfacing of roads, roadway and street lighting and equipment acquisitions. On July 31, 2003, the Municipal Relief Act, Chapter 46 of the Acts of 2003 passed. It amended section 7 of Chapter 44 of the General Laws so that the City would no longer be required to go to the state Emergency Finance Board for approval of debt incurred for remodeling, reconstruction or extraordinary repairs to public buildings.

The Capital Improvements Act of 1966, as amended, permits the City of Boston to issue debt outside the debt limit for various municipal purposes, including new construction and renovation of existing facilities. The legislation provides a specific limit on the total amount of debt that may be issued under the statute.

Chapter 208 of the Acts of 2004 established a new Massachusetts School Building Authority. The program is still designed to assist cities and towns in building new schools or in renovating existing ones; however the state's reimbursement methodology has been modified. Projects for which cities and towns are currently receiving reimbursement will continue to be paid annually their school building reimbursement grant; for projects on the current priority list for which

permanent debt has not been issued, cities and towns will receive 75% of authorized cost, including interest, and the remaining 25% at the conclusion of the audit. Any project for which permanent debt has been issued will be paid in grants over twenty years. Chapter 208 also provides for a pay-as-you go system paying cities and towns for school projects in installment grants during construction so as to save on interest costs.





# Boston's People and Economy





# Boston's People and Economy

## INTRODUCTION

Boston, first incorporated as a town in 1630, and as a city in 1822, is one of America's oldest cities, with a rich economic and social history. What began as a homesteading community eventually evolved into a center for social and political change. Boston has since become the economic and cultural hub of New England.

As the region's hub, Boston is home to nearly 590,000 residents, many institutions of higher education, some of the world's finest inpatient hospitals, and numerous professional sports and cultural organizations. Boston-based jobs, primarily within the finance, health care, educational, and service areas, numbered more than 630,000 in 2004. Millions of people visit Boston to take in its historic neighborhoods, attend cultural or sporting events, and conduct business.

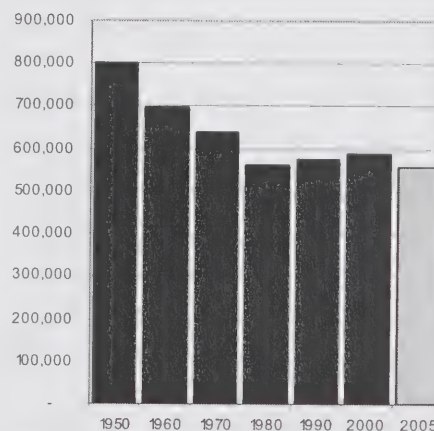
The City provides a wide range of programs and services to meet the diverse needs of its many residents and visitors. Under the direction of Mayor Thomas M. Menino, the City is also aggressively pursuing new economic opportunities to ensure Boston will emerge as a global leader in the twenty-first century economy.

## Boston's Changing Population

Over the thirty years between 1950 and 1980 Boston's population declined from 801,444 to 562,994. This decline can largely be attributed to families with children fleeing to the suburbs based on a perception of better schools and less crime. Since 1980, however, the City's population has stabilized and grown slightly. The 2000 U.S. Census records the City's population at 589,141, representing a 2.6% increase over the 1990 population and a 4.6% increase over 1980.

A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The

most recent census results confirm that people of color now make up the majority of Boston's population for the first time in its history. Boston's rich cultural heritage is also reflected in the diversity of its neighborhoods. In recognition of the fact that many of the people who move to Boston each year come from different cultural backgrounds and have a first language other than English, the Mayor has created the Office of New Bostonians. The mission of this office is to strengthen the ability of residents from diverse cultural and linguistic communities to play an active role in the economic, civic, social, and cultural life of the City of Boston.



**Boston's Population**  
1950 to 2000 Census, 2005 estimate

Figure 1

## Boston's Role in the Regional Economy

The City of Boston is the 24th largest city in the United States. The U.S. Bureau of the Census reported Boston's population as 574,283 in 1990 and as 569,165 in 2004. Boston is the center of the 8th largest Combined Statistical Area (CSA) in the nation. The Boston CSA had a total population of 5.8 million in 2004.

In addition to having one of the largest population concentrations, Boston also ranks among the highest in concentrations of employment and income in the U.S. In 2004, Boston supplied 631,851 jobs, or approximately one out of every six jobs in Massachusetts or one out of every fourteen jobs in New England. Boston provides employment opportunities for many people who live outside of the City. In 2004, total Boston-based jobs outnumbered the employed resident population by more than two times. The City had 9.3% of the state's population in 2000, but measured in terms of jobs, Boston's economy accounted for approximately 16% of the Massachusetts economy in 2003.

In terms of income, Suffolk County, which is comprised of the City of Boston and the towns of Chelsea, Revere, and Winthrop, ranked 52<sup>nd</sup> in per capita personal income out of three thousand counties in the U.S. in 2003. Suffolk County was the 82<sup>nd</sup> largest county in the United States by population in mid-2004.

The attributes that make Boston such a great city in which to conduct business also make it a great destination for tourists. According to the Greater Boston Convention and Visitors Bureau, an estimated 17.2 million people visited Boston in 2005, up from 15.1 million in 2004. While the events of September 11<sup>th</sup> and a national recession had reduced visitors to Boston and other tourism and business centers, the City is once again

experiencing a steady increase in visitors.

Boston is an attractive destination for conventions, meetings, and gate shows. The Boston Convention and Exhibition Center (BCEC), designed to accommodate larger conventions, opened in June 2004. The BCEC is located on a 60-acre site in South Boston. The facility contains 516,000 square feet of contiguous exhibition space. This facility, along with new hotel projects in the City, has given a significant boost to the local economy and helped to position Boston as a world-class convention city of the future.

Boston also has three sites for small and medium size conventions: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center, and the Bayside Exposition Center.

With high occupancy rates and room rates, and with the opening of the new BCEC, Boston continues to attract new hotel construction. Seven new hotels representing 2,417 new rooms were under construction as of March 2006. Four additional hotel projects have received approval from the Boston Redevelopment Authority with three more seeking approval.

In July 2004, the City hosted its first-ever political convention, the Democratic National Convention, bringing more than 35,000 delegates, media and staff to the City and metropolitan area. Convention guests are estimated to have filled more than 20,000 hotel rooms and spent over \$43 million on hospitality, retail and transportation

#### Key Indicators of Boston's Economy

		1970	1980	1990	2000	Recent
<b>Population</b>	Total Population	641,071	562,994	574,283	589,141	559,034 (7/05)
	% Minority Population	18%	30%	37%	51%	
<b>Income</b>	Median Household Income	\$7,935	\$12,530	\$29,180	\$39,629	42,562 (7/05)
<b>Education</b>	% High School Graduate	34%	35%	27%	24%	
	% Some College Completed	9%	13%	19%	19%	
	% College Graduate	10%	20%	30%	36%	
<b>Employment</b>	Unemployment Rate (resident)	12.8%('75)	7.8%('83)	8.6%('91)	2.7% ('00)	5.0% (6/06)
	Number of Jobs	576,125	572,078	622,433	688,077	631,851 ('04)
	% Blue Collar Jobs	45%	40%	33%	31%	
	% White Collar Jobs	55%	60%	67%	69%	
	% Manufacturing Jobs	11%	9%	5%	4%	
	% Trade Jobs	22%	16%	13%	12%	
	% Finance Jobs	13%	13%	15%	15%	
	% Service Jobs	25%	36%	42%	46%	
<b>Real Estate</b>	Office Market Vacancy Rate	2%	1%	15%	2%	9.4% (2Q'06)
<b>Housing</b>	Median Single Family House Price	na	\$71,700	\$174,100	\$329,500	\$421,200 (2Q'06)
	Housing Units	232,400	241,300	249,791	250,863	
	% Vacant	6%	10%	9%	1%	
	Condominium Units	na	4,500	33,029	36,254	41,208 ('04)
	% Condominium Units	na	2%	13%	14%	
	% Units Owner Occupied	27%	27%	31%	32%	
	Rental Vacancy (Boston Metro Area)	na	na	8%	3%	

#### Sources:

Boston Redevelopment Authority, U.S. Census Bureau,  
Massachusetts Division of Employment and Training

Table 1

purchases during their average 6.9 day length of stay. This spending, combined with spending by the Boston 2004 Host Committee, the Democratic National Convention Committee and privately hosted parties and events, generated an estimated economic impact of \$163.3 million in the five-county area that includes Boston.

This total is net of costs associated with displaced events, tourism and commuter traffic to the region. None of the predicted commuting chaos occurred as residents adapted well to road closures and heightened security measures in place for the week. In addition, public safety organizations from across the state and across levels of government joined together cooperatively to oversee an incident-free convention. The City received both tremendous publicity and praise for its efforts as host.

### **Boston's Changing Economy**

The nature of Boston's economic base has changed dramatically over the past three decades. In 1970, manufacturing and trade jobs accounted for 33% of the total economy, while financial and service sector jobs totaled 38%. In 2000, manufacturing and trade jobs accounted for only 16% of the total economy while financial and service sector jobs totaled 62%. These trends mirror a national movement from an industrial-based economy to a service-based economy.

The City's resident workforce is undergoing a transformation as well. Of the 266,505 residents working in Boston in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2000, of 285,859 Boston resident workers, those holding blue-collar jobs fell to 31%, and those employed in white-collar occupations rose to 69% (Table 1.). The majority of these white-collar jobs are within finance, health care, education, and other broad-based service industries.

The changing needs of a service and information-based economy have increased the demand for a better educated and more highly skilled workforce. In 2000, 79% of the adults in Boston had completed high school, compared to 53% in 1970. A full 36% of adults in Boston had completed college in 2000, compared to only 10% in 1970.

### **The Role of Higher Education, Health Care, and Financial Services**

Higher education, health care, and financial services play a major role in Boston's economy. An examination of Boston's 52 largest private employers in 2005, shows that 38 are involved in these growing sectors.

Many of the nation's finest research and teaching hospitals are located in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel/Deaconess Hospital, Boston Medical Center, New England Medical Center and Children's Hospital, as well as numerous community-based health centers. In total there are 20 inpatient hospitals in the City. The City is also home to the medical and dental schools of Harvard University, Tufts University and Boston University. In 2004, there were an estimated 106,630 people employed in health services in the City.

Boston also hosts 35 universities, colleges, and community colleges, with a combined enrollment of 137,190 students in the fall of 2003. Included among the City's colleges and universities are some of the finest educational institutions in the country, including Boston College, Boston University, and Northeastern University.

These institutions of higher education have a major impact on the City's economy. Because many of these students remain in Boston after graduation, Boston's educational institutions are a major source of new highly skilled professionals for the City's workforce. Boston's colleges and universities add to the economy in other ways as well. Since 1998, over 5,000 new dormitory beds were added to Boston-based campuses, and at the end of 2005, two more undergraduate dormitories were still under construction.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, Putnam Investments, and State Street Bank & Trust Company. The City also has the distinction of being the birthplace of the mutual fund industry. In 2004, there were an estimated 94,000 people employed in the financial services, insurance, and real estate industries in the City.



## Transportation

A key to Boston's economic health is the City's ability to transport residents, workers, and visitors efficiently and safely to their intended destinations, whether in the City or throughout the region.

The "Big Dig", or Central Artery Tunnel, has recently opened, connecting the Massachusetts Turnpike to Logan Airport and burying the elevated interstate 93 under the City, reopening views of Boston Harbor not seen for half a century. The Mayor's "Crossroads" project is reconnecting long disconnected city neighborhoods by rebuilding the roads that once ran between them. In addition, the Rose Kennedy Greenway design is nearing completion as the Mayor has announced a contest to develop ideas for an opening celebration. This large downtown swath of land will be an enormous benefit to residents, workers and visitors to the City of Boston for years to come.

The metropolitan Boston roadway system provides commuters access to the City through surface arteries and three limited access interstate highways that connect Boston to the national highway system. Interstate 90, the Massachusetts Turnpike, just recently extended as part of the Central Artery Project, leads westward from Logan Airport through downtown Boston to the New York State border. Interstate 95, the East Coast's principal north-south highway, connects Boston to New Hampshire and Maine to the north and New York City and Washington D.C. to the south. Interstate 93, another north-south highway, extends from just south of the City to New Hampshire. Major industrial parks and high-technology companies line these transportation arteries.

Boston's public transportation system reaches into all of the City's neighborhoods and is linked to the commuter rail and Amtrak systems, connecting millions of people to the central City. Several major rail initiatives are increasing access and reducing travel time. The Massachusetts Bay Transportation Authority (MBTA) is constructing the Silver Line in three phases to operate as part of its core downtown transit system. Phase 1 & 2 provides rapid transit bus services connecting the Seaport district to Downtown and the Chinatown and Roxbury neighborhoods. Phase 3, now in planning and design, will include connections

between the first two phases, Logan Airport and South Station. Also, since 1991, Amtrak has spent \$1.8 billion on a high-speed Boston to New York rail line called Acela. It is now possible to travel between these two cities in just over three hours. In addition, Amtrak added passenger service between Boston and Portland, Maine in 2001.

In 2003, Boston's Logan International Airport was the most active airport in New England, the 18<sup>th</sup> most active airport in the United States, and the 35<sup>th</sup> most active airport in the world. In 2004, 26 million domestic and international passengers were served. Logan Airport is also very important to the economy as a center for processing air cargo. In 2003, Logan ranked 19<sup>th</sup> in the nation in total air cargo volume.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. Since 1998, the Port of Boston ranked as the 12<sup>th</sup> largest Atlantic coast seaport by container volume shipped. The Port of Boston has also become a major cruise ship port, hosting 200,836 cruise ship passengers in FY04 – down 3.1% from FY03, but up 7.9% from FY02.

## Economic Outlook

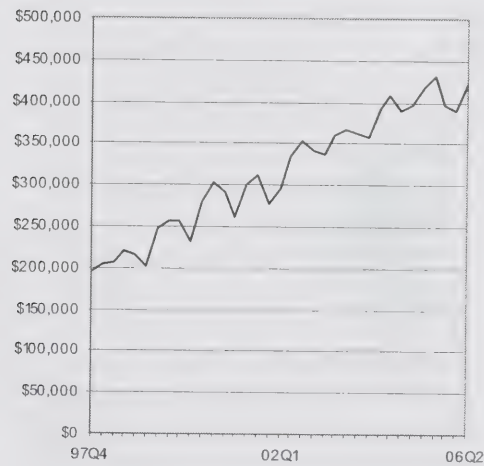
Currently, the City is emerging from an economic downturn that has affected the nation, region, and state. As with any economic entity, the City of Boston has seen good times and bad. During the 1960s, the economy thrived and unemployment was consistently below 6%. In the 1970s, Boston experienced the same pain felt across the country as a national recession took hold. The 1980s produced the "Massachusetts Miracle" and launched a Massachusetts Governor's bid for the presidency. The early 1990s gave way to recession again with unemployment over 8% and a collapsing real estate market. The late nineties expansion led to invited low unemployment, commercial development and increased home values throughout the City and the region.

Since FY2000, building permit revenue has indicated a strong construction activity level in the City, exceeding an estimated \$2 billion each year. In FY05, the City's construction activity level was



estimated at \$2.73 billion, up 2.2% from FY04, and up 21.8% from the five year low point in FY02.

Across the nation the housing market remained strong throughout 2005 with Boston among the strongest, although the most recent data in the Greater Boston market indicate prices have finally peaked and are starting to soften. According to the Federal Reserve Bank of Boston (FRBB), the second quarter 2006 median sales price of an existing home in the Boston metropolitan area increased 0.6% from the same quarter of the prior year to \$421,200. Since the fourth quarter of 1997, the median sales price has increased an astounding 115% in the Boston metropolitan area (Figure 2).



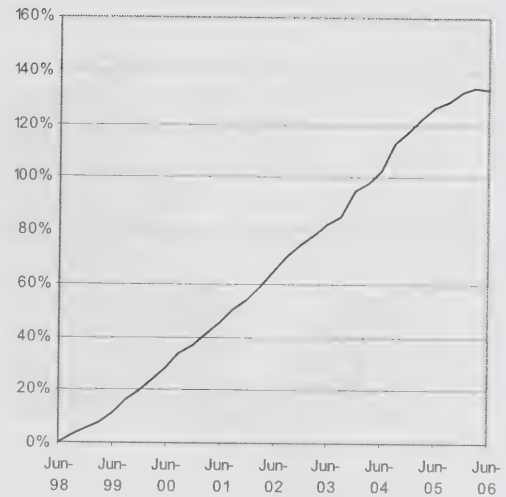
**Greater Boston Median Existing Home Sales Price**

Quarterly, 1997Q4 to 2006Q2

Figure 2

The FRBB Repeat-Sales Home Price Index shows an increase of 2.8% in the Boston metropolitan area for the second quarter 2006 over the same quarter 2005, and a -0.6% decline over first quarter 2006. The last negative quarterly growth seen in this index was first quarter 1995. With average quarterly growth of 2.3% since second quarter 1995, price appreciation has indeed been rapid (Figure 3).

Although house price appreciation has continued in recent quarters, the risks of Boston developing a speculative bubble in real estate is lessened by several other trends. Income growth is beginning to pace home price appreciation, lending much



**Cumulative Change in Repeat Sales Home Price Index**

Quarterly, June 1998 to June 2006

Figure 3

needed support to prices. And interest rates are beginning to rise, likely adding some temperance to price increases in the near future.

Apartment rents have softened as vacancy rates have risen with higher home ownership rates and unemployment. However, the market is still one of the tightest in the nation with median monthly advertised asking rents of about \$1,450 for a two bedroom apartment in 2004, down 3.0% from \$1,500 in 2003.

Demand for office space in Boston improved in 2006 with an overall office vacancy rate of 9.4% through the second quarter compared to 2005 with an annual vacancy rate of 11.9%. The rate has finally dipped to below the 9.7% in 2002, and is approaching the 5.2% in 2001 (Figure 4).

Because office vacancy rates increased since 2001, rents have declined. The average asking rent per square foot for office space in the Boston Central Business District (CBD) in September 2005 was \$34.49, down 3.3% from CBD asking rents the year before (Figure 5), adding to a cumulative drop of 58% since the 2000 peak.

Despite a fairly high vacancy rate, Boston remains one of the top office markets in the country with over 66 million square feet of office space. Boston is the sixth ranked market by vacancy rate.

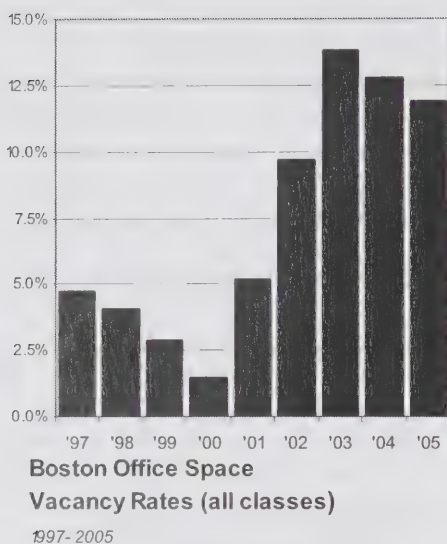


Figure 4

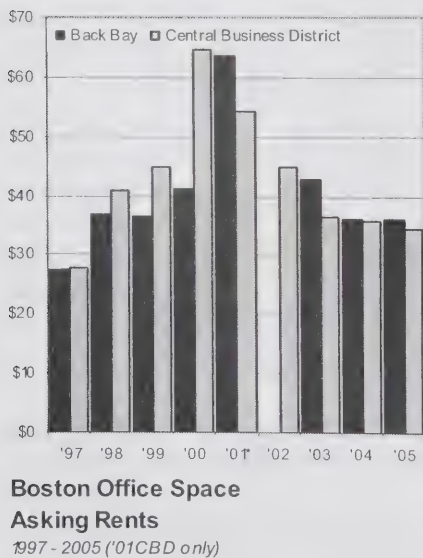


Figure 5

With travel to Boston so popular in recent years, Boston's hotel market was one of the strongest in the nation. During 2000, Boston hotels had an average occupancy rate of nearly 80%, up from 70% in 1991. With high occupancy levels, prices for rooms rose steadily. During 2000, the average daily room rate (ADR) at Boston hotels was around \$200, compared to \$118 in 1991.

September 11<sup>th</sup> and the national recession brought challenges to the hotel market with occupancy rates falling to about 70% and ADR falling to around \$181 in 2001. By 2003, the hotel market

was improving, but increased supply out-paced demand, keeping occupancy at a low 71.1% and forcing ADR down to \$155.52. In 2004, at the same time that 4.6% more rooms became available, ADR and occupancy increased to \$167.49 and 74.4%, the highest for both measures since 2000. Preliminary 2005 data states that occupancy remained steady at 74.4%, and ADR had increased to \$174.70.

The decision to build the BCEC stimulated considerable new hotel development. Between July 1997 and December 2005, twenty-five new hotels and five expansion projects were completed. Seven more hotels are now under construction.

### Economic Development

Recent trends indicate that Boston's economy was growing steadily prior to the 2001-2002 recession, and is returning to growth along with the nation and state. With the election of Thomas M. Menino as the Mayor of Boston, a new cabinet form of government was established to create greater efficiency and improve the delivery of city services. Within this new structure, a Chief Economic Development Officer (CEDO) cabinet position was created. The CEDO is charged with developing a successful strategy for promoting the economic viability of the City. Two of the major agencies responsible for economic development under this cabinet, the Boston Redevelopment Authority and the Economic Development and Industrial Corporation, have consolidated services to allow for a more coordinated, comprehensive approach to planning and development.

Recent public sector projects impacting the Boston economy include the Central Artery/Third Harbor Tunnel project and the Boston Convention and Exhibition Center. The federal government funded nearly half of the first project with the Commonwealth covering the rest of the cost, and the second project was a combined City/State effort, with the City covering approximately one-quarter and the Commonwealth three-quarters of the cost. The Central Artery/Third Harbor Tunnel project was the largest public works project in the country, with an estimated cost of \$14.6 billion. It is estimated that this project employed 15,000 workers during the peak years of construction (1998 to 2001).

The Boston Convention and Exhibition Center (BCEC) Project was developed on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the Boston Redevelopment Authority (BRA) and the Massachusetts Convention Center Authority (MCCA). The facility includes over 516,000 square feet of contiguous exhibition space. The BRA acquired the site, relocated the tenants, and did site preparation which included demolition and environmental remediation, with costs totaling \$237.6 million through March 2006. (The Commonwealth has reimbursed the BRA for \$63.5 million of these costs.) The design and construction was funded by the Commonwealth and carried out by the MCCA which is now responsible for its operation. The BCEC began operations in June 2004.

In order to support the funding for the convention center, the City and the Commonwealth drew upon revenue sources which have a strong relationship to the new convention generated business, including an increase in the hotel excise tax rate in Boston and Cambridge, the full hotel excise tax for new hotels in Boston and Cambridge, the earmarking of certain state taxes in a convention center district, a car and truck rental fee in Boston, and the sale of additional taxi medallions in Boston. In spite of the increased rate, the hotel tax remains competitive with other major U.S. cities.

There are many other economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfront districts, further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives, and continuing development of retail and business districts citywide. As mentioned earlier, improvements are planned to parks and neighborhoods to connect residents to the waterfront areas. In place of the old elevated central artery roadway, will be the new Rose Kennedy Greenway, which will reunite neighborhoods separated long ago with new open spaces and the restoration of original streets. In South Boston, in addition to the new convention center, there are also plans for hotel, retail, and residential housing development to attract new

workers and visitors to the area.

Partnerships have and will continue to play an important role in revitalizing Boston's neighborhoods. In January 1999, the City of Boston was designated an Empowerment Zone community by the U.S. Department of Housing and Urban Development. The ten-year Empowerment Zone designation brings with it \$130 million in tax-exempt bonding authority and \$100 million in grants to finance sweeping revitalization and job creation programs.

There are currently 19 Boston business districts participating in the Main Streets Program, a partnership between the City and the National Trust for Historic Preservation to improve the local business climate in neighborhoods. As of the end of December 2004, this program has created 540 net new businesses and over 3,600 net new jobs, improved the marketability and business strategy of business districts, and preserved the character of surrounding residential areas.

With a diverse economic base, support for local businesses, an educated work force, and strong tourism lure, Boston is a world-class city building for the future.







# Budget Organization and Glossary



# Budget Organization and Glossary of Terms

## **Introduction**

This Chapter is a guide to the organization of Boston city government and the FY07 Operating Budget.

The City of Boston, incorporated as a town in 1630 and as a City in 1822, now exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth which, as amended, constitute the City's Charter. The chief executive officer of the City is the Mayor. Reelected in November 2005, Mayor Thomas M. Menino is serving a four-year term ending in January 2010. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The portion of the City budget covering appropriations for all departments and operations of the City, except the School Department, is prepared under the direction of the Mayor.

The legislative body of the City is the Boston City Council, which consists of thirteen members serving two-year terms, of whom four are elected at-large and nine are elected from geographic districts. The City Council may enact ordinances and adopt orders that the Mayor may either approve or veto. Ordinances and orders, except for orders for the borrowing or appropriation of money, may be enacted by the City Council over the Mayor's veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but may not increase it.

## **Organization of City Government: The Mayor's Cabinet**

Mayor Menino's cabinet structure delineates the major functional responsibilities of City government to improve the conduct of the executive and administrative business of the City and to eliminate duplication and waste. The Cabinet presently consists of sixteen cabinet members: Chief of Staff, Chief Operating Officer,

Chief Financial Officer, Chief of Policy and Planning, Chief Economic Development Officer, Chief of Education, Chief of Human Services, Chief of Public Property, Chief of Environment and Energy, two Chiefs of Public Safety, Chief of Public Housing, Chief of Public Health, the Corporation Counsel (the City's chief legal officer), the Director of the Mayor's Office of Emergency Preparedness, and the Chief of Housing and Neighborhood Development.

The structure of the Mayor's cabinet is illustrated in the citywide organizational chart displayed on the next page. A description of the members of the Mayor's cabinet, the City departments for which they have authority and their individual responsibilities follows.

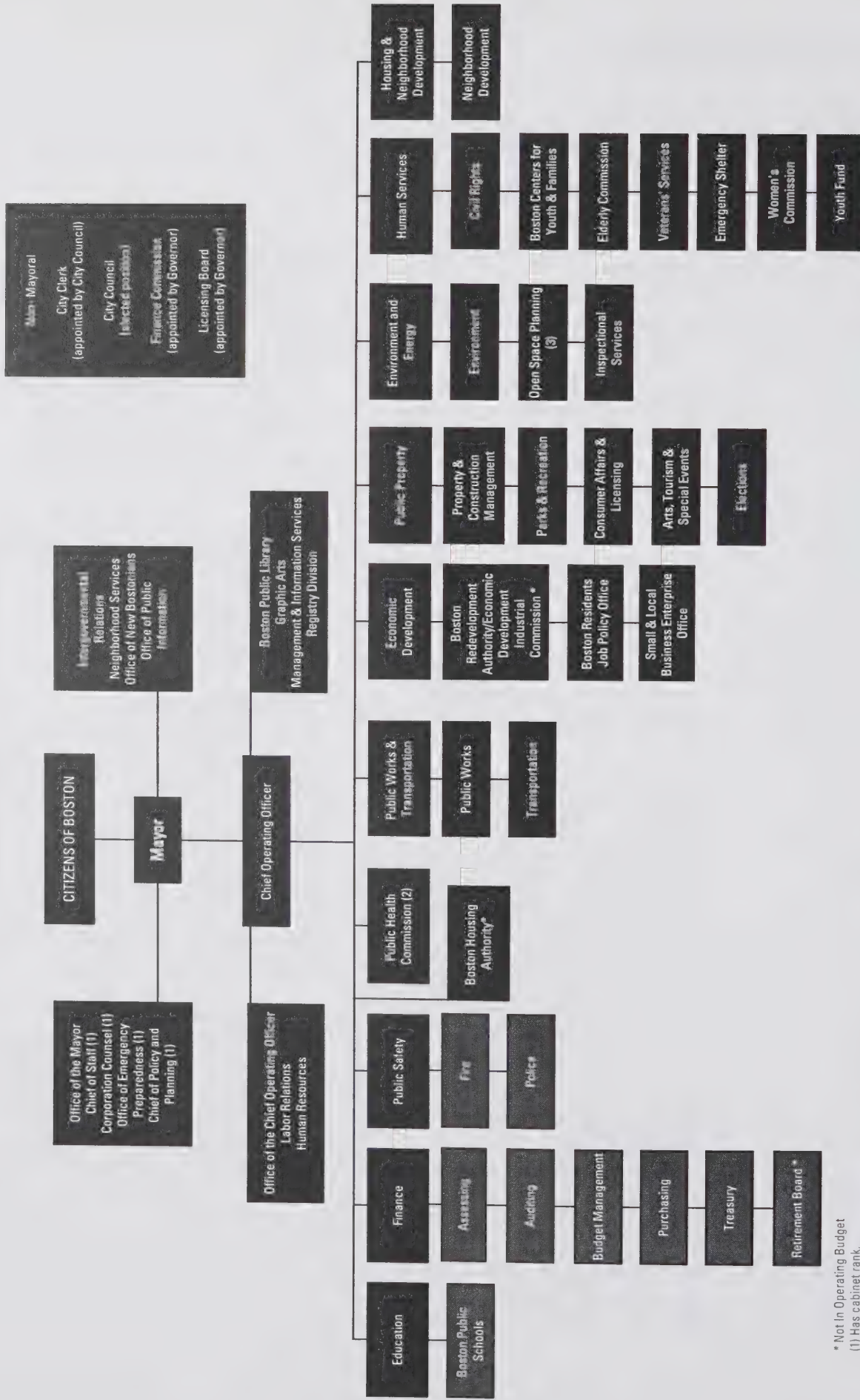
## **Chief Operating Officer**

The Chief Operating Officer (COO) is the key individual responsible for the daily administration of the entire city government and directly oversees Management Information Systems, Human Resources (including Workers' Compensation, Health Insurance, the Workers' Compensation Fund and Unemployment Compensation), Graphic Arts, the Boston Public Library, Registry Division and Labor Relations. The COO reports directly to the Mayor.

## **Chief Financial Officer**

The Chief Financial Officer (CFO), who also serves as the Collector-Treasurer, oversees all City financial matters, including the functions of the Treasury, Assessing, Auditing, and Purchasing Departments, as well as the Office of Budget

# ORGANIZATION OF CITY GOVERNMENT



\* Not in Operating Budget

(1) Has cabinet rank.

(2) The Boston Public Health Commission is an independent authority created in June 1996.

(3) Programmatically within this cabinet; financially in Parks & Recreation



Management (OBM), and the State-Boston Retirement Board. The Retirement Board, an independent board under Chapter 306 of the Acts of 1996, has its expenses funded through investment earnings but remains part of the Finance Cabinet. The City's Collector-Treasurer is responsible for supervision of the City's Treasury Department, revenue collections due the City of Boston and management of City borrowings and payments, including amounts due on borrowings by the City in the form of either temporary or permanent debt.

#### **Chief Economic Development Officer**

The Chief Economic Development Officer is accountable for the planning and development functions of the City. The Director of the Boston Redevelopment Authority (BRA) serves as the Cabinet Chief. The Economic Development Cabinet is composed of the Boston Redevelopment Authority/Economic Development and Industrial Corporation (BRA/EDIC), the Small & Local Business Enterprise Office and the Boston Residents Jobs Policy Office.

#### **Chief of Education**

The Superintendent of the Boston Public Schools serves on the Mayor's cabinet. Among the responsibilities of the Superintendent is the development of a plan for schools and other City and non-City agencies to develop cooperative programs to guarantee that the best possible educational resources are available to Boston's children. The Superintendent is appointed by the Boston School Committee and serves as the Chief Executive Officer of the Boston Public Schools.

#### **Chief of Human Services**

The Human Services Cabinet is responsible for providing human and other support for all of Boston's residents. This cabinet includes Boston Centers for Youth & Families, the Elderly Commission, the Emergency Shelter Commission, the Women's Commission, Veteran's Services, the Youth Fund, and the Office of Civil Rights, which is comprised of the Fair Housing Commission, the Commission for Persons with Disabilities and the Human Rights Commission.

#### **Chief of Public Property**

The Public Property Cabinet provides administrative functions and maintenance of physical assets and is composed of the Parks and Recreation Department, Property & Construction Management, Consumer Affairs & Licensing, the Office of Arts, Tourism & Special Events and the Election Department. The Cabinet is a key participant in supporting cross-departmental and inter-agency coordinated efforts citywide, including major event production, seasonal clean-ups, and neighborhood enhancement initiatives.

#### **Chief of Environment and Energy**

The Environment and Energy Cabinet is made up of the Environment Department and the Inspectional Services Department. Other programs in the Cabinet include the Recycling Program of the Public Works Department as well as the Open Space Planning and Olmsted Park Revitalization programs of the Parks and Recreation Department. The Chief of Environment and Energy oversees the City's relationships with the federal Environmental Protection Agency, the state Executive Office of Environmental Affairs, the Metropolitan Area Planning Commission, Massachusetts Bay Transportation Authority (MBTA) and the Boston Water and Sewer Commission.

#### **Chief of Public Works & Transportation**

This Cabinet includes the Public Works Department, the Transportation Department, Central Fleet Maintenance and Snow Removal.

#### **Chiefs of Public Safety**

The Public Safety Cabinet includes the Boston Police Department and Boston Fire Department. The Police Commissioner and Fire Commissioner both serve on the Mayor's cabinet.

#### **Executive Director of the Boston Public Health Commission**

The executive director of the Boston Public Health Commission (BPHC) oversees the delivery of services that impact public health. The Commission serves as the board of health of the City. BPHC collaborates with area hospitals, community health centers and community based organizations to ensure the availability and accessibility of community based health care,

disease and injury prevention, health promotion and health education services. The City's emergency medical services are provided by the Commission.

### **Administrator of the Boston Housing Authority**

The Administrator of the Boston Housing Authority (BHA) serves on the Mayor's cabinet as the Chief of Public Housing. The BHA is an independent authority overseeing public housing developments and senior housing locations throughout the City.

### **Chief of Housing and Neighborhood Development**

The Chief of the Housing and Neighborhood Development Cabinet oversees the Department of Neighborhood Development (DND). Through its diverse complement of programs, the department's strategic investment of public resources serves to strengthen the City's neighborhoods. Programs aim to develop and preserve local businesses, and improve housing stock and housing investment. In addition, the department assists people seeking housing and assists tenants with problem resolution and mediation with landlords.

### **Corporation Counsel**

The Corporation Counsel has supervisory authority over all City attorneys and legal affairs and represents the City of Boston in litigation. The Law Department provides an array of legal services, including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee, and other officials in matters relating to their official duties. The department also represents the same parties in litigation, reviews all City contracts, pursues claims on behalf of the City through affirmative litigation and initiates foreclosure proceedings on tax delinquent property.

### **Mayor's Chief of Staff**

The Mayor's Chief of Staff is the chair of the Mayor's cabinet, oversees the day-to-day operations of the Mayor's Office and responds to requests and critical issues efficiently and effectively. The Mayor's Office includes the Office of the Mayor, Office of Emergency Preparedness,

Neighborhood Services, Public Information, Intergovernmental Relations, and the Office of New Bostonians.

### **An All-Funds Budget**

The City of Boston presents a fully integrated budget, including capital, operating, and external funds to show the complete funding level available to departments to fulfill their missions.

The operating budget maintains the day-to-day operations for departments to provide goods and services whereas the capital budget reflects long-term needs and planning for infrastructure development and repairs. The capital budget funds new construction or renovations to existing city-owned facilities (e.g., police and fire stations, and schools), infrastructure improvements (e.g., roads, sidewalks, and lights), and major equipment purchases such as fire-fighting apparatus. The external funds budget describes the projects and programs that the departments will be undertaking in the next fiscal year, which are financed with funding received from the state, federal or other non-general fund sources.

### **Organization of the Budget**

The City of Boston's program budget provides a wealth of information related to City services and their associated costs. The operating and capital budgets present the recommended resource allocations in terms of personnel, facilities, goods, and services. The budget document also describes the services provided by each City department as well as the promised levels of service that will be achieved in FY07.

### **The Operating and Capital Budget Document: Organization of the Volumes**

Volume I provides for citywide review of information on the FY07 budget and the context in which it is prepared. Sections include:

- Mayoral Transmittal Letters
- Executive Summary
- Summary Budget
- City Council Orders
- Revenue Estimates and Analysis
- Innovations in Education
- Budget and Performance Goals
- Financial Management

- Capital Planning
- Statutes and Ordinances
- Boston's People and Economy
- Budget Organization and Glossary

In Volumes II and III, cabinet and departmental budgets are presented, with the departmental budgets organized by cabinet. The cabinet presentation includes cabinet mission and initiatives, followed by a table displaying total operating, external and capital budgets, beginning with FY04 actual results through the FY07 budgets.

### The Departmental Operating Budgets

Activities and services of the City are grouped into programs for budgeting and management purposes. The operating budget for each department is presented on a program-by-program basis.

A "program" is defined as:

An organized group of activities, and the resources to carry them out, that is directed toward attaining one or more related objectives.

For the purposes of program budgeting and program evaluation, a program can consist of direct services to the public and neighborhoods of the City (e.g., police patrol or tree maintenance), or traditional city staff functions (e.g., administrative services or engineering and design).

Some city activities may not be defined as separate programs even though they may be self-contained operations. For example, a fire station is not a separate program, although for accounting purposes it is a cost center within the Fire Department's Fire Suppression Program.

While these program budgets serve as the basic building blocks of the budget, there are three additional organizational levels above the program level in the budget. The basic budget presentation is modified slightly depending on the structure of a department. The three levels are:

- The Division Level for budgeted units within some departments.
- The Department Level, which includes departments, commissions, and other offices.
- The Cabinet Level, which includes functionally related departments.

### Description of Organization and Definition of Categories

This section outlines the structure of information reported within each department and program in the budget. It also defines what is included in the mission statements, services, performance objectives, service indicators, capital expenses, and external funds for FY07.

#### Department/Division Level

**Mission statement:** The mission statement is a fundamental statement of purpose.

**Performance Objectives:** These objectives reflect stated goals for which the division or department is held accountable and measured on a monthly basis.

**Description:** This text furnishes a general overview of the department and its responsibilities. It also lists examples of major services provided.

**Authorizing Statutes:** Statutes and ordinances create departments as well as endow them legal powers.

**Operating Budget:** The operating budget presentation includes a table displaying total operating and external budgets by program beginning with FY04 actual expenses through the FY07 budget.

#### Program Level

**Description:** This section furnishes a general overview of the program and its responsibilities and lists examples of major services provided. Added context is often displayed on the demand for services or to illustrate the scope of the department's responsibilities in more detail.

**Program Performance Objectives:** Each program identifies the objectives intended to further the department's mission and by which the department will be measured.

**Program Outcomes:** The outcomes illustrate the achievement levels for program objectives in quantifiable terms.

**Selected Service Indicators:** The selected service indicators provide brief comparisons of personnel, funding levels, and measures of service levels. Service levels may measure workload, quality, inputs, outputs, efficiency or productivity as supported by available resources.



In cases where the service level depends on an external factor (for example, the number of tax abatements or building permits applied for), the promised service level reflects the workload that the program is equipped to handle efficiently and effectively.

Programs report levels of service outputs and promised outcome achievements on a monthly basis.

### Financial Data

The financial data identifies the major groups and expenditure account codes (for example, Personnel Services/Overtime, Supplies and Materials/Office Supplies), the historical expenditures, and the proposed appropriations in these groups and expenditure account codes.

Two financial sheets are provided on the FY07 Operating Budget: Department History by Expenditure Account Code and Department Personnel data.

### Department History by Expenditure Account Code:

The expenditure account codes are listed within six expenditure groups. Dollar amounts are shown for:

- FY04 actual expenditure,
- FY05 actual expenditure,
- FY06 appropriation,
- FY07 recommended, and
- The difference between the FY06 appropriation and the FY07 recommended.

### Department Personnel Data

Personnel data shows funding for permanent positions, including existing and proposed positions. All permanent positions are listed by salary grade within the department or division. The total salary request is listed for these positions.

For each position shown, the following information is provided:

**Title:** The civil service/personnel system job title of the position.

**Union Code/Grade:** The union code (including exempt or EXM) and code for the salary grade of the position.

**Position and Salary Requirement:** These columns are used to show the permanent positions that a department may fill based on available funds and the total funding provided for that title for the fiscal year.

**Total Dollars:** The total dollars for the permanent personnel, shown at the bottom right of the personnel sheet, reflects the amount of funding required to support personnel prior to adjustments. As applicable, this figure is then adjusted by differential payments, other payments, chargebacks, and salary savings.

**Differential Payments:** These payments are for employees who are either in intermittent job titles or who are entitled to additional payments based on shift (e.g., night shifts). This figure is added to the salary requirements.

**Other:** These figures cover other payments such as sick leave, vacation buyback, and other similar distributions.

**Chargebacks:** These figures are payroll costs to be charged to another fund or appropriation.

**Salary Savings:** This figure reflects savings due to employee turnover. The amount is estimated based on historical experience and subtracted from the total salary requirements.

### External Funds

The financial data identify the major groups and object codes of external funds expenditures (for example, Personnel Services/Overtime, Supplies and Materials/Office Supplies), the historical expenditures, and the proposed appropriations in these groups and objects. The personnel data show permanent positions, including existing and proposed positions funded with external funds. All permanent positions are listed by salary grade within the department or division. The total salary request is listed for these positions. Departments also list program services and projects financed by external funds, including a description of each project's mission.



## Capital Budget

The capital section provides an overview of projects and major initiatives for departments charged with managing facilities and major equipment assets. The dollar amounts are shown for:

- FY04 actual capital expenditures,
- FY05 actual capital expenditures,
- FY06 projected capital expenditures,
- FY07 proposed capital expenditures

The next section reviews departmental capital project profiles, including descriptions of each project scope, the department managing the project and the status and location of each project. A table summarizes the total capital dollars authorized for project expenditures in FY07 and for future years, as well as whether the source is City authorization or other funding such as federal and state infrastructure grants or trust funds. A listing of actual and planned capital expenditures in comparison to authorized dollars is beneath this table.

## Glossary of Terms

**Account:** A classification of appropriation by expenditure account code.

**Account Number:** The number by which the Auditor categorizes an appropriation. For budget purposes, also known as appropriation code.

**Accrual Basis:** The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

**Allotment:** The amount that can be expended quarterly for personnel as submitted to the City Auditor at the beginning of each fiscal year.

**Appropriation:** The legal authorization to expend funds during a specific period, usually one fiscal year. In Boston, the City Council is the appropriating authority.

**Authorization:** The legal consent to expend funds.

**Baseline Budget:** A budget that describes the funding required for maintaining current levels of service or activity.

**Bond:** An interest-bearing promise to pay, with a specific maturity.

**Bonds Authorized and Unissued:** The portion of approved bond authorizations or loan orders that

have not yet been borrowed for or issued as bonds. Bond authorization available for future bond issues within a City's debt management plan.

**Budget:** A formal estimate of expenditures and revenues for a defined period, usually for one year.

**Budget Amendment:** A change from originally budgeted quotas requested by departments to the Human Resources Department and the Office of Budget Management who authorize these changes.

**Capital Budget:** A plan for capital expenditures for projects to be included during the first year of the capital program also known as a capital spending plan.

**Capital Plan:** A multi-year plan of proposed outlays for acquiring long-term assets and the means for financing those acquisitions. Financing is usually by long-term debt.

**Capital Improvement:** An expenditure that adds to the useful life of the City's fixed assets.

**Capital Improvement Program:** A multi-year plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs.

**Cash basis:** A basis of accounting under which transactions are recognized only when cash changes hands.

**Chapter 90 Funds:** A state-funded program for payments to cities and towns for 100% of the costs of construction, reconstruction, and improvements to public ways.

**Chargeback:** A method of billing departments for costs incurred by them for which they are not billed directly (e.g., telephone, postage, and printing). This method can also be used for departmental expenditures that are paid for with external or capital funds.

**Cherry Sheet:** Originally printed on a cherry-colored form, this document reflects all Commonwealth charges, distributions and reimbursements to a city or town as certified by the state Director of the Bureau of Accounts.

**Collective Bargaining:** The process of negotiations between the City administration and bargaining units (unions) regarding the salary and fringe benefits of city employees.

**Commission:** An appointed policy setting body.

**Community Development Block Grant (CDBG):** A federal entitlement program that provides community development funds based on a formula.

**Computer-Aided-Dispatch (CAD) System:** A network of computers that facilitates the dispatching of emergency Police, Fire, or Emergency Medical Service personnel.

**Credit Balance:** Account or departmental deficit. See departmental deficit.

**Credit Rating:** A formal evaluation of credit history and capability of repaying obligations. The bond ratings assigned by Moodys Investors Service, Standard & Poor's and Fitch Ratings.

**Credit Transfer:** The transfer of appropriations from one expenditure account code to another within a department.

**Debit Transfer:** Moving actual expenditures from one expenditure account code to another within or between departments.

**Debt Limit:** The maximum amount of debt that a governmental unit may incur under constitutional, statutory, or charter requirements. The limitation is usually a percentage of assessed valuation and may be fixed upon either gross or net debt.

**Debt Outstanding:** The general obligation bonds that have been sold to cover the costs of the City's capital outlay expenditures from bond funds.

**Debt Service:** The annual amount of money necessary to pay the interest and principal on outstanding debt.

**Department:** A major service-providing entity of city government.

**Departmental Deficit:** A condition that exists when departmental expenditures exceed departmental appropriations.

**Departmental Income:** Income generated by a specific city department, usually as a result of user revenues applied for services rendered. Parking meter charges, building permit fees and traffic fines are examples of departmental income.

**Division:** A budgeted sub-unit of a department.

**DNR:** Did not report.

**Encumbrance:** Funds set aside from an appropriation to pay a known future liability.

**Excise:** A tax applying to a specific industry or good. The jet fuel tax and the hotel/motel occupancy tax are examples of excises.

**Expenditure Account Code:** An expenditure classification according to the type of item purchased or service obtained, for example, emergency employees, communications, food supplies, and automotive equipment.

**Expenditure:** An actual payment for goods or services received.

**External Fund:** Money that is not generated from city general fund sources, but is received by an agency, such as grants or trusts.

**Fiscal Year:** The twelve-month financial period used by the City beginning July 1 and ending June 30 of the following calendar year. The City's fiscal year is numbered according to the year in which it ends.

**Fixed Debt:** Long-term obligations other than bonds, such as judgments, mortgages, and long-term serial notes or certificates of indebtedness.

**Full Faith and Credit:** A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

**Full-time Equivalent Position:** A concept used to group together part-time positions into full-time units.

**Fund:** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources with all related liabilities, obligations, reserves, and equities that are segregated for specific activities or objectives. Among the fund types used by the City are General, Special Revenue, Capital Projects, Trust and Enterprise.

**GAAP:** Generally Accepted Accounting Principles. The basic principles of accounting and reporting applicable to state and local governments, including the use of the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and operating results. These principles must be observed to provide a basis of comparison for governmental units.



**General Fund:** The fund into which the general (non-earmarked) revenues of the municipality are deposited and from which money is appropriated to pay the general expenses of the municipality.

**General Obligation (G.O.) Bonds:** Bonds for whose payment, the full faith, and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from property taxes and other general revenues.

**Goal:** A statement, in general terms, of a desired condition, state of affairs or situation. Goals are long-term and not usually directly measurable without objectives. By establishing goals, the agencies can define their missions and the methods for achieving those goals.

**Grant Year:** The grant accounting period designated by the requirements of a specific grant.

**Headcount:** The actual number of full-time or full-time equivalent employees in a department at any given time.

**Interest:** Compensation paid or to be paid for the use of money, including interest payable at periodic intervals or discount at the time a loan is made.

**Interest Rate:** The interest payable, expressed as a percentage of the principal available for use during a specified period of time.

**Line item:** See Expenditure Account Code.

**Massachusetts Water Pollution Abatement Trust (MWPAT):** A statewide revolving fund that commenced operations in 1990 to address necessary environmental actions outlined in the Federal Clean Water Act.

**Mayoral Reallocation:** A transfer of appropriations of up to \$3 million that may be authorized by the Mayor up to April 15 in a given fiscal year to relieve departmental deficits or meet unanticipated financial problems.

**Mission:** A general overview of the purposes and major activities of an agency or program.

**Modified Accrual Basis:** The accrual basis of accounting adapted to the governmental fund type, wherein only current assets and current liabilities are generally reported on fund balance sheets and the fund operating statements present financial flow information (revenues and expenditures). Revenues are recognized when

they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for a few specific exceptions. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

**Objective:** See Performance Objective.

**Official Statement:** The municipal equivalent of a prospectus - history, background of managers, fund objectives, financial statements, and other pertinent data related to the city's financial condition.

**Operating Budget:** A legally adopted plan for anticipated expenditures for personnel, supplies, equipment and services in one fiscal year.

**Outcome:** A quantifiable, reportable measure of the intended performance objective; reflects the results of a program in terms of impact on the level of need or the problem being addressed.

**Payments-In-Lieu-of-Taxes:** Income to replace the loss of tax revenue resulting from property exempted from taxation.

**Performance Measure:** An indicator of achievement. Measures can be defined for identifying output, work or service quality, efficiency, effectiveness, and productivity.

**Performance Objective:** A statement of proposed accomplishments or attainments.

**PLOS:** Promised Level of Service, the estimate of the outputs or outcomes being measured, based on the resources provided by the budget.

**Principal:** The face amount of a bond, exclusive of accrued interest.

**Program:** An organized group of activities and the resources to carry them out. A program is directed toward attaining objectives.

**Program Evaluation:** The process of comparing actual service levels achieved with promised results; also refers to assessing, for the purpose of improving the way a program operates.

**Proposition 2 1/2:** A statewide tax limitation initiative petition limiting the property tax levy in cities and towns in the Commonwealth to 2 1/2 percent of the full and fair cash valuation of the taxable real and personal property in that city or town. The statute also places an annual growth

cap of 2 1/2 percent on the increase in the property tax levy.

**Quota:** The planned number of positions that can be filled by a department, subject to the availability of funds. The quota can refer either to specific titles or to the number of personnel in the entire department. The quota of positions may change by means of a budget amendment. The actual number of personnel working in a department at any given time may differ from the quota.

**Reimbursement Grant:** A federal or state grant that is paid to the City once a project is completed and inspected for conformance to the grant contract. The City must provide the full funding for the project until the reimbursement is received.

**Reserve Fund:** An appropriation for contingencies.

**Revenue:** Income received by the City.

**Salary Savings:** For budget purposes, an amount that will be saved from annual turnover of personnel in any department.

**Special Appropriation:** An authorization to expend funds for a specific project not encompassed by normal operating categories.

**Special Revenue Fund:** Used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) that is legally restricted to expenditures for specific purposes. A special revenue fund is accounted for in the same manner as a General Fund.

**STAT:** Statutory accounting and reporting adopted by a legislative body of a governmental entity. The method of recording and reporting actual expenditures and revenues within a plan of financial operations that establishes a basis for the control and evaluation of activities financed through the General Fund. When the budget basis and basis of accounting are different, a governmental unit usually maintains its records on a budget basis.

**State Distributions:** All City revenue flowing from the state. Major categories include educational distributions and reimbursements, direct education expenditures, general government reimbursements and other distributions.

**Sub-Program:** A sub-program is defined discretely, for purposes of management. Several related sub-programs may make up a larger program.

**Supplementary/Supplemental Appropriation:** An appropriation that is submitted to the City Council after the operating budget has been approved. Such appropriations must specify a revenue source.

**Tax Exempt Bonds:** Bonds exempt from federal income, state income, or state or local personal property taxes.

**TBR:** To be reported.

**Third Party Payment:** Medical payments, usually from an insurance carrier to a health care provider on behalf of an injured or infirm party.

**Trust Funds:** Funds held by the City in a fiduciary role, to be expended for the purposes specified by the donor.

**Unliquidated Reserve:** A fund established at year-end, used to pay for goods and services received this year, but not billed until next year.





